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JOB AND PRICES IN THE WEST COAST REGION

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JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES
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JOB'S AND PRICES IN THE WEST COAST REGION

MONDAY, JANUARY 12, 1976

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

The committee met, pursuant to notice, at 9:45 a.m., in the Muses Room of the Space Museum, Exposition Park, Los Angeles, Calif., Hon. Hubert H. Humphrey (chairman of the committee) presiding. Present: Senator Humphrey; and Representatives Hamilton, Rousselot, and Hawkins.

Also present: Richard F. Kaufman, general counsel; Courtenay M. Slater, professional staff member; and George D. Krumbhaar, Jr., minority counsel.

OPENING STATEMENT OF CHAIRMAN HUMPHREY

Chairman HUMPHREY. We will convene the session of the Joint Economic Committee of the Congress. This will be the fourth of our regional hearings, and we are most grateful to the officials of the city of Los Angeles for making available the facilities, for all of their cooperation.

I have a brief opening statement, and then we are going to hear his honor, the mayor of the city of Los Angeles, Mayor Bradley.

Today's hearing is the fourth in a series of hearings which the Joint Economic Committee of the U.S. Congress is holding in various regions of the United States. Members of the committee present are Representative Lee Hamilton, Representative John Rousselot, and also while not serving on this committee, Representative Augustus Hawkins, who is deeply concerned about the social and economic problems of our Nation.

We have professional staff members with us. We have Mrs. Slater. Mr. Kaufman, and Mr. Krumbhaar, and they all will be asked to participate in the discussions here today.

The year 1976 is the 30th anniversary of the Employment Act of 1946. It was this act which established the Joint Economic Committee, and indeed, established the President's Council on Economic Advisers. No one can take too much satisfaction in the state of the economy in this 30th anniversary year. As an aftermath of last year's recession, some 8 million persons are presently unemployed. This does not take into account those with only part-time employment or those that have dropped out of the labor market.

Simultaneously, we have been plagued with a most unsatisfactory rate of price increases, even though in the last month the wholesale price index did moderate somewhat, primarily due to the drop in farm prices.

The most recent economic indicators cast doubt on whether the economic recovery is continuing at all. Certainly it is not continuing with the vigor that is necessary to bring unemployment down significantly. I might add that there are differences of point of view on the rate of economic recovery. The morning Los Angeles Times carries the story, "Rise in U.S. output forecast, 6 to 7 percent economic gain, fewer unemployed seen," which is the report of the Department of Commerce.

I might add that that report, along with others, will be very carefully analyzed by the staff of this committee and other committees of the Congress. There are those of us that want to believe, and hope that those reports are true, but have some reason to be concerned.

Let me mention a few of the recent indicators. Industrial production is up only a little in October, and scarcely at all in November. Housing starts were down in November, business spending on new plant and equipment expected to just barely keep pace with inflation in 1976 according to the most recent survey. Consumer sentiments are still very cautious. The unemployment rate stuck at 8.3 to 8.4 percent from July through November, and indeed, through December. The inflation rate stuck at roughly 7 percent during the same period.

Now, signals such as these are causing economists to question whether the brief period of economic recovery to which we experienced in the second half of 1975, will continue, or whether it is not already beginning to peter out or phase out.

Just about every day, one reads in the papers predictions by one economist or another that recovery is in trouble. Many of these experts urge the Federal Government to do more to support recovery. I think it is fair to say there is a regular controversy among economists just what to do.

The purpose of these hearings, therefore, in different parts of the country, is to obtain recommendations from people who are here, where the people work and live, or where they are struggling for jobs. To get information and suggestions on just what the Federal Government should do, could do, ought to do, or might I add, ought not to do.

We are seeking advice both on what should be done immediately to support recovery from last year's recession, and what should be done over a period of years to bring this country to the point at which we can honestly say that the Employment Act objectives of maximum employment, production and purchasing power have been achieved.

The Joint Economic Committee receives a good deal of advice from Government officials, experts, economists, and that advice is obviously helpful, and we are grateful for it. We also invite into Washington, mayors, legislators, and Governors, businessmen, labor leaders, community leaders, and they testify and they give us helpful counsel.

However, a full understanding of the economic problems facing this country and of our vast potential for solving these problems is difficult to obtain by just staying in Washington. By visiting several different areas of the country, we are hopeful that we will enlarge our understanding of the economy. We are coming face to face with the desperation of the unemployed, the severe financial plight of local governments, the universal dislike and concern over inflation, the widespread dissatisfaction over the failure of the Government to better manage this economy.

We are also, I am happy to say, coming face to face with some hopeful signs. The dedication of those who work in employment and training programs, the success of self-help efforts initiated by community organizations, the resilience and determination of individuals and groups to overcome obstacles.

I might add that the members of this committee don't all have the same point of view. At times, we surely don't even have the same point of view with staff. I tend to be slightly more optimistic. I suppose that is one of my many failings, because I have such great faith in the vitality of our country.

The Western States, like the rest of the United States, have been hard hit by inflation and recession. The 1970-71 cutbacks in the aerospace employment hit the West, particularly here in California, especially hard. The deeper recession of 1974 and 1975 has been a second shock hard on the heels of the first, and then environmental questions and concern over the possible conflicts between environmental preservation, economic growth and employment goals are possibly more strongly felt here in the West than anywhere else in the country.

We will have a panel of witnesses discussing this question with us this afternoon. Rapid population growth. Mr. Mayor, your climate is a very inviting thing, I might say, particularly when one leaves the upper midwest. Ethnic and racial diversity, the migration of workers across national boundaries, and the orientation toward trade with Asia create unique economic problems for Western States. These same factors also create strength and vigor and the fascination which strikes a visitor to the West so forcefully.

I am confident from this one day of hearings in Los Angeles, we will learn a great deal about what your economic problems really are and what we can really do to help solve them, and hopefully, take some of this information back to our colleagues in Washington.

Now, before I present the mayor, I want to ask my colleagues here if they have any opening comments they would like to make. Congressman Roussetot.

Representative ROUSSELOT. Mr. Chairman and my colleagues. Mayor Bradley, we are very pleased to have you here, because we know that you are a vigorous advocate of trying to find solutions to some of these problems. I agree with the Senator, that it is important to be out where the people are instead of always only having our hearings in Washington, so I have been very pleased that our chairman, Senator Humphrey, has seen fit to come to our area. We have made some steps toward solutions in some areas and we are trying in others, so I am appreciative that it has to be out where it happens instead of just in Washington.

Chairman HUMPHREY. Congressman Hamilton.

Representative HAMILTON. Mr. Chairman, I am comparing remarks of your opening statement and Congressman Roussetot's observations. I am delighted to be here and we are especially honored to have the mayor. I want to express my appreciation to the chairman of the committee. I think he has been the driving force behind the concept of these regional hearings, which has given us a broad new perspective on our economic problems. I think the chairman has made a major

contribution to our understanding of that point. I am pleased to have a chance to participate with you.

Chairman HUMPHREY. Thank you. Congressman Hawkins.

Representative HAWKINS. Senator, I am very pleased to be invited to sit in with you. I know that the mayor will welcome you to the city, but as a representative of the district in which the hearing is located, let me welcome you to the 29th Congressional District which, incidentally, has an unemployment rate of about 20 percent, so I am very, very pleased to have the committee in this particular area and in my congressional district.

Chairman HUMPHREY. Congressman Hawkins, we want to thank you, and we want to let your people know that you have been an industrious worker in trying to find answers to our unemployment problems. Congressman Rousselot has been a very persevering and attentive member of this committee, giving it a great deal of his time.

Congressman Corman and Congressman Roybal, although unable to attend the hearing, have provided the committee with a statement which I would like to place into the record at this point.

[The statements of Representative Corman and Representative Roybal follow:]

STATEMENT OF HON. JAMES C. CORMAN, A U.S. REPRESENTATIVE IN CONGRESS FROM THE 21ST CONGRESSIONAL DISTRICT OF THE STATE OF CALIFORNIA

Mr. Chairman and Members of the Committee, I appreciate this opportunity to testify before the Joint Economic Committee on the very serious problem of unemployment in the Nation, particularly as it affects the Los Angeles area.

Unemployment in Los Angeles is even greater than it is in the country as a whole. Nationwide, the unemployment rate is 7.8 percent yet in LA, the current rate has spiraled to 11.5 percent. Over 142,000 workers are now drawing unemployment insurance benefits; but even more people are unemployed. Counting the economically disadvantaged, the underemployed, new entrants, and those who have exhausted their benefits, there are approximately 400,000 unemployed individuals in Los Angeles City. The actual unemployment rate is nearly 31 percent. In minority communities, such as East Los Angeles and South Central Los Angeles, the unemployment rate is as high as 40 percent.

Although the current recession has only caused a mild decline in business, it has had a great impact on employment. Employers, fearing continued economic decline, are making do with two or three employees when previously they employed four or five. Since September of last year, there has been a freeze on hiring for public service employment jobs under the Comprehensive Employment and Training Act. Although the freeze is well publicized, the City Employment Office receives approximately 15 to 20 inquiries per day about CETA job vacancies, yet no one can be hired. Although there are 5,500 CETA jobs in LA, many more are desperately needed.

To solve the unemployment problem in Los Angeles, as well as throughout the country, immediate and long-range measures must be taken. The unemployment compensation system must be expanded and updated, the public employment service must be strengthened, and job opportunities in the public and private sector must be increased.

In 1975, the new Subcommittee on Unemployment Compensation, of the Committee on Ways and Means, held extensive hearings on the UC system and thoroughly examined all aspects of the program. Subcommittee action resulting from these deliberations included extending the two temporary Federal Unemployment Compensation programs (P.L. 94-45) and reporting a bill which proposes long-overdue reforms of the permanent Federal-State UC system (H.R. 10210).

The hearings which ultimately led to H.R. 10210, provided information demonstrating that the Unemployment Compensation system is a sound and permanent element in our economic structure. For four decades it has provided financial protection against temporary unemployment for most of the Nation's

wage and salary workers. It is an important source of security for the employed and the major source of assistance for jobless workers. In the past several months, the Federal-State Unemployment Compensation programs, supplemented by the temporary Federal measures, have made it possible for millions of individuals and families to sustain themselves during these recent months of high unemployment. This temporary assistance has been a major force in preventing current economic conditions from reaching the disastrous proportions of the Great Depression of the 1930's.

The Subcommittee also found that the Unemployment Compensation system needs to be expanded, strengthened, and updated. H.R. 10210, the Subcommittee bill, which was recently reported by the Ways and Means Committee, makes significant steps in the direction of necessary reform. The bill extends coverage to most agricultural employees, some domestic workers, and all State and local government employees. It also updates the financing mechanism in order to restore the program's fiscal self-sufficiency.

Even if the Unemployment Compensation system is strengthened, the real problem—the shortage of jobs—still persists. As the number of UC exhaustees increases, the Congress must look elsewhere to find a solution and must develop a sound national employment policy.

The key to a successful national income maintenance policy is the generation of more jobs that pay adequate wages. Most of the unemployed want to work and there is much work that needs to be done. There is no greater national need than the generation of productive jobs. No doubt, this is going to require direct and indirect federal government involvement—from indirect incentives to federally financed public service work. It will also probably require some changes in our thinking about what is and what is not "productive" employment. In terms of meeting social and personal needs, assisting a teacher or doctor is as productive as assembling a toaster or an automobile. We may not need quite as many automobiles or as many additional interstate freeways as we have in the past, but there are a great number of unmet needs in our cities and rural areas, including neglected public buildings, inadequate public transportation, underdeveloped parklands, and inadequate water and sewer facilities. These and other needs can provide additional productive employment.

Measures must be taken now to stimulate public and private employment. We must also strengthen the Public Employment Service. The primary responsibility and objective of the Public Employment Service is to direct unemployed workers to available jobs, or to match jobs and job seekers without charging a fee. Unemployment compensation recipients have always been required to register with the Public Employment Service in order to demonstrate availability for work.

Because of its responsibility in the early 1930's for selecting jobless clients for public works projects, the Employment Service established a reputation as a "relief agency. With the start of unemployment insurance, and the shift in clientele to large numbers of applicants with substantial work experience, the 'relief' concept was largely dispelled. To many unemployment insurance claimants, however, the Employment Service is regarded as the 'Unemployment Office.'"

For a variety of reasons, the greatest proportion of claimants have not obtained work through the offices. Some workers have their own job-finding channels, such as their unions. Others are on short-term layoffs from their regular employers and have scheduled return dates. Moreover, because not all employers use the Employment Service, the kind and quantity of job listings with the offices do not always parallel those of industry's recruitment needs. Some employers view the service as a place only to recruit unskilled or entry-level workers. Others fear that only repeat claimants would be referred. Basically, neither employers nor job seekers have much confidence in the Public Employment Service.

We must improve our ability to link unemployed workers and available jobs. The Employment Service should also play an expanded role in developing and providing the full range of employment assistance and manpower services. Job creation programs and manpower services should be overhauled and the scope and variety of such programs expanded. As soon as possible after a person has applied for unemployment compensation, the claimant should be supplied with appropriate job finding services.

The right kind of assistance will vary from individual to individual. A new entrant or reentrant into the work force, or someone with insufficient work

experience to qualify for UI, may need public service employment or job training plus income support. A person who has a long attachment to the work force and is unemployed because the jobs for which he is qualified have left the area might need relocation assistance along with his UI benefits so he can move into a location where suitable work is available. The success of the employment assistance services will depend upon sufficient administrative resources and personnel, the range of available services, and, of course, the existence of jobs. This system of employment assistance could provide the primary link between UI and work.

The Public Employment Service should be linked to programs aimed at creating new job opportunities in the public and private sector. Presently, the main public service employment law, the Comprehensive Employment and Training Act of 1973, provides approximately 330,000 jobs. Under this program, Federal funds are allocated to local prime sponsors to fund training and employment programs. "The Emergency Employment Project Amendments of 1976," H.R. 11453, expands the CETA by creating an additional 280,000 public service jobs. If this bill is enacted, it would bring the total number of CETA jobs to about 600,000.

Mr. Chairman, in conclusion, I want to emphasize the point that income derived from employment should be the basic source of economic security for all Americans. The current shortage of jobs poses a threat to this principle. Its preservation will require new, positive actions by the Federal Government. Jobs that pay adequate wages and that are consistent with present needs and resources must be generated. Improved and expanded income support programs are needed for those who cannot work or do not earn enough through existing employment opportunities to provide a decent standard of living for themselves and their families. New programs must provide adequate income support in a manner that preserves the dignity of the individual and his or her incentive to become self-supporting. Employment assistance services must also be improved so they effectively bring jobs and job seekers together. Finally, unemployment compensation must be available to all wage and salary earners and must provide adequate benefits during periods of brief, involuntary unemployment.

Thank you.

STATEMENT OF HON. EDWARD R. ROYBAL, A U.S. REPRESENTATIVE IN CONGRESS
FROM THE 25TH CONGRESSIONAL DISTRICT OF THE STATE OF CALIFORNIA

Mr. Chairman, thirty years ago the Congress enacted the Employment Act of 1946, which directed the government of the United States to " * * * use all practical means consistent with the needs and obligations and other essential considerations of national policy * * * to promote maximum employment, production and purchasing power." During the first 20 years of the Act's history—despite brief periods of high unemployment and/or inflation—the economy performed reasonably well, particularly when compared to the performance of the economy in recent years. However, when we consider the record of the economy over the past decade, it is quite apparent that economic policy for the most part has fallen far short of the very reasonable and essential policy objectives of the Employment Act. During the early years of the decade, the economy became overstimulated, largely as a result of the inappropriate management of monetary and fiscal policy. This condition soon generated high inflation, which continued to persist despite rising unemployment and growing slack in the economy in 1970 and 1971. Economic policy in 1972 and 1973 attempted to restore the economy to a growth track that would assure relatively full employment and relative price stability. Yet as we well know, economic policy once again failed in its mission. By early 1975, the economy fell into its deepest recession since the depression years of the 1930's. Consequently, unemployment rose above 8 percent by early 1975 and remains at this level today. In the meantime, inflation rose to double digit levels in 1973 and 1974, and despite some improvement in 1975, remains exceedingly high today. Moreover, we have witnessed bankruptcies of numerous major American firms, the near bankruptcy of New York City, and near fiscal chaos in other localities throughout our land.

Mr. Chairman, I could recite scores of other economic difficulties facing our nation today. But I think I have said enough to make the point that both the economy and national economic policy on the 30th anniversary of the Employment Act are in a sad state of affairs. Therefore, Mr. Chairman, I wish to take this opportunity to thank you and the distinguished members of this Committee

for taking time out from your very busy schedules to make an assessment of how our national economic problems are affecting various key regions of our nation. I understand that you have already held hearings in Chicago, New York City, and Atlanta. Today you have come to hear our assessment. I hope it will be a fruitful experience.

Despite the sad state of economic affairs nationally, one need only to observe the recent performance of two key economic indicators to conclude that California over the past year has suffered from greater economic difficulties than most other parts of the nation. According to latest figures, the rate of unemployment in our State now stands at about 10 percent, which is considerably higher than the national figure of 8 percent. This means that more than 910,000 Californians are out of work, which accounts for more than 12 percent of 7.7 million American workers unemployed today. The unemployment rate for the Los Angeles areas stands at 10.2 percent, which amounts to over 300,000 persons, or close to 40 percent of the total number of persons out of work statewide.

On top of this, Californians continue to suffer from the effects of severe inflation. Despite a marked reduction in the inflation rate nationally over the past year, Californians have experienced little relief. During 1975, the inflation rate in California stood at about 9.3 percent, which was only a slight improvement over the 11.3 percent rate of increase in consumer prices recorded during 1974. In contrast, the rate of inflation nationally now stands at 7.3 percent for 1975, which is down sharply from the 12 percent rate experienced in 1974.

Hence, we can readily conclude that California faces an extremely difficult economic struggle in the period ahead. We cannot declare the battle won against the twin evils of high unemployment and high inflation until the rate of unemployment falls to below 4 percent and the annual rate of inflation is reduced to a range of 2 to 3 percent. Obviously, we are far short of these targets today.

Mr. Chairman, I would like to make a general observation about the role of economic policy in this election year. As I have noted, the American people have experienced an extraordinary number of economic setbacks during the past decade. The last two Administrations have badly mismanaged the economy. Moreover, they have not been at all impressed by the role of Congress in combating our various economic ills. Thus, given this experience together with the impact of certain political misdeeds, no public official should be surprised by the widespread public disenchantment with the governmental process today. If we wish to regain voter confidence, we as elected officials must resolve ourselves now to pursue economic policies which will be the most beneficial to the American people and to the economy over the long trial.

For close to ten years, economic policy has been governed by trial and error. The American people are weary of this approach. Moreover, I might add that they are not interested in the academic debates over policy, particularly the debates between monetarists and fiscalists. They want results. They want an end to over 10 years of continuous high inflation. They want to see the economy moving again along a realistic growth track, with clear signs that unemployment can and will be reduced to more acceptable levels.

Mr. Chairman, we already have the mandate from the voters in this bicentennial year. Since the current Administration appears unable to formulate an economic policy to meet these needs, the Congress must seize the initiative and fill this void. It is my hope that your regional hearings, together with the forthcoming national conference on the economy, will provide the guidance to formulate a sensible and realistic economic policy for the coming year. It is painfully clear that in this 30th year of the Employment Act, we need constructive action now "to promote maximum employment, production and purchasing power." Thank you very much, Mr. Chairman.

Chairman HUMPHREY. Mayor Bradley, I am not going to take any more time, except to say we are delighted that you are taking the time from your busy day to pay us a visit and to share with us your observations. We are, speaking for myself, I have been somewhat overwhelmed by the hospitality of your people, and I have had a great 2 days here. I was here Saturday and Sunday, out to the University of California at Irvine, tonight at the University of Southern California, and may I tell you, it has been an exciting experience. You know the problems of this area better than I do. I have a limited state-

ment as to some of the difficulties that this part of America faces as it was reported to us; but I want to hear from you, not only about the problems, but when I look at you, I begin to sense that you undoubtedly have some answers, and I shall ask our secretary to see that the full prepared statement of the distinguished mayor is placed in the record, and we thank you for coming. Please proceed, your honor.

**STATEMENT OF HON. TOM BRADLEY, MAYOR, CITY OF LOS ANGELES,
LOS ANGELES, CALIF.**

Mayor BRADLEY. Thank you very much, Mr. Chairman, I am delighted on behalf of the Los Angeles community to welcome the Joint Economic Committee to this city. Senator, I know that you wouldn't understand this kind of weather back in Minnesota, or in Washington, D.C., so Congressmen Rousselot and Hawkins got together with Kenny Hahn and they contrived to bring you just a taste of southern California.

Chairman HUMPHREY. Well, according to Kenny Hahn, they had nothing to do with it. It was all his.

Mayor BRADLEY. I was about to tell you, if they couldn't produce it, I will. I think that we are also indebted to Bill McCann, who is the director of the Museum of Science and Industry, for serving as our host for this occasion, and these facilities are made available to us because of his generosity, and we appreciate it.

Chairman HUMPHREY. We want to express our thanks, and it will be done in a more formal way.

Mayor BRADLEY. I think it is an excellent idea that the Joint Economic Committee has chosen to move to different parts of the country, sort of bring the hearings to the people and to the places where the problems exist. I know that there are times when those of us who work in Government sometimes tend to get a distorted view of things because of our isolation brought about by the fact that we work in a given place or under different circumstances, and I can tell you that coming to Los Angeles, hearing directly from the people here will give you and the members of this committee an insight that I think will be invaluable.

I know that you had three regional hearings prior to this one, and I don't know that you are going to get any different information. Perhaps a different perspective, a difference in the quality of the intensity of the problem, but I daresay that I think you are going to hear reinforcement of the things you have been hearing in other parts of the country.

Of all of the problems that we have been faced with in the last couple of years, the downturn in the economy, the upturn in unemployment, double-digit inflation, of all of these, I would say that unemployment is perhaps the most devastating of all. We have experienced it here in the Los Angeles community, and there has been a steady increase in our unemployment rate since 1968, and we in the city of Los Angeles are now at a point of 11.5 percent unemployment rate. That is a serious matter, as far as we are concerned.

Even those figures, as staggering as they are, don't really tell the whole story. Congressman Gus Hawkins just indicated to you that in his district along, 29th Congressional District, the unemployment rate

is 20 percent. You could pick parts of that district, or parts of the rest of this community and you might find that among a certain category, the youth in particular, minorities, blacks and Mexican-Americans who are 16 to 25 years old, the rate as high as 40 percent, and it is not just this year. That is a long-term kind of experience, and that is what is of so much concern to all of us.

Beyond the figures which we have given to you, if you look at the picture which is not painted very clearly by these kinds of statistics, you find that the underemployment is a serious factor. It is one that is not often weighed. If you take into account those who are no longer drawing unemployment, and therefore are off the rolls and are not even counted in this 11.5 percent, you can see how serious this matter is.

There have been estimates that we have got 400,000 people in this community alone who fall into one of these categories that I have just mentioned. So, unemployment has to be among the most serious problems that this Nation is faced with.

I know that you have heard tales of woe in different parts of the country. I was particularly struck by a statement made by Annie Pearl Smith in Atlanta, a woman who said that she had lost her job at the GM plant, was on welfare. She didn't want to be on welfare, she didn't want her children to be on welfare. She wanted them to know that you have to work for what you wanted in life, and yet here she was, having lost her job, lost her home, lost her car, and the following week she said her son, the eldest son, was going to lose his job. Now that is a sad and pitiful tale of woe, but I can tell you, Senator and members of this committee, that is a tale which you could hear in any part of this country. It is a tale which you could hear over and over again right here in this community.

Let me give you another example of the seriousness of the problem. Just this morning the city of Los Angeles announced a position, one vacancy for elevator maintenance mechanic, and somewhere between 300 and 400 people showed up for that job. Some came as early as 4 o'clock this morning. One job paying \$864 a month, and the crush of these people seeking to be first in line, just to line up to get that job, because only the first 100 were going to be accepted for applications, not a job, just an application, and the crush of this number of people wanting to get in caused the crowd to break the doors and one person was injured.

Back in December of 1974, when we were hiring under the CETA program and made the announcement, even though a maximum of 7,500 jobs were available over 20,000 people came and applied for them within a matter of days. That is the nature of the problem here in this community.

You know, this country has talked about full employment for a long time, I guess for 30 years we have been talking about this concept, and here we are in 1976, and the unemployment problem is the most serious it has been since the mid-thirties. I am pleased to say that you, having introduced into the Senate, S. 50; and Representative Hawkins having introduced on the House side, the similar legislation for full employment, recognize this problem. I think that if your colleagues in the Congress really understand this problem; they will recognize that the time for talking is over. The time for action is here,

and it is my hope that your colleagues are going to join with you in passing the Full Employment Act of 1975.

I believe as you do, that full employment is not just a matter of social justice. It makes good economic sense, and we of this country are going to have to face up to it. We are not producing a bigger budget deficit when we provide jobs for people. In fact, we are providing the kind of services that this country needs. We are providing the opportunity for people to work and earn a living and to be able to add to the taxes that are now being paid.

This is the side of the picture that I think is not well told. It is my hope that this committee is going to get across that message.

We have a couple of problems that I want to refer to in particular. You know, under the CETA program, we were told by the Department of Labor in late 1974, hire up, put your people on board. As a matter of fact, they asked us to hire the maximum number of people instead of doing it over a 12-month period, they wanted us to hire them up so that all the money would be used in a 6-month period, with the promise that more was to come.

Let me tell you that more has not come. We now are faced with the fact that 25 percent of the prime sponsors in this country, 114 of them, are going to have their money run out by June of this year. Some will have their money run out in January.

The city of Los Angeles is faced with the prospect that 6,500 people hired under this program will have its money run out by April of this year unless interim funding is provided, so it is important that we provide an extension of the CETA program, but it is vital that we get it early enough that we avoid the devastation of the layoffs that will come in the early part of this year. I hope that we can get some action on that and get it quickly.

Chairman HUMPHREY. What was the figure that you said, 25 percent?

Mayor BRADLEY. Twenty-five percent of all the prime sponsors in the country; 114 of them. They are faced with a shutdown of their programs because their money has run out, and they were acting in good faith, at the direction of the Department of Labor. We could have spread out our program, we could have hired less people. We could have spread it out for the entire year, but no, we followed their guidelines, we followed their directions, and we hired up, as I told you, the 24,000 who came to our city, we hired them as fast as we could, we used up the money and now we have run out of the money which had been promised, and we warned them that we were going to be faced with this kind of a gamble.

We warned them then that we might not have the money, because we didn't see it assured to us by the administration or the Congress. Surely that is exactly what has happened.

Let me deal with a couple of other matters. The local Public Works System bill will provide an opportunity for the cities around this country to build the kind of lasting investments, and more than that, provide the resources for jobs and for services that all of us need. It is a matter that we have been pushing for a long time, and it is my hope that it is going to be passed and signed into law.

The last of the items that I want to request of you is an action on the extension of revenue sharing. I hate to think what will happen in this city where we get over \$40 million a year which is a substantial part of our budget effort, if revenue sharing is not extended, if we don't have the capability to continue these programs, not just make-work, not just leaf-raking, not just a giveaway, but essential kinds of services that people need and ought to have. It is our hope that we are not going to be faced with the prospect of dangling on the line not knowing whether we are going to get that money or not. That is the reason we asked for early action on the extension, and these are the kinds of pleas that I make to you. They are immediate actions that could help us greatly in the unemployment problem that we are faced with here.

My prepared statement will mention a couple of other things, but I will not prolong my testimony by getting into them at this time, but your staff will be able to examine that document and see what other suggestions have been made.

Thank you very much for the opportunity to appear.

[The prepared statement of Mayor Bradley follows:]

PREPARED STATEMENT OF HON. TOM BRADLEY

Mr. Chairman, and members of the Joint Committee. On behalf of the people of Los Angeles let me welcome you to Los Angeles for this important hearing. It is always encouraging to me to see a Committee of the Congress take its proceedings out of Washington and into the community. The people of the country and their local representatives have much to contribute to the deliberations of the Congress, particularly on the pocketbook issues you will be dealing with today. I hope this session will be both informative and productive.

As we enter this bicentennial year, we are faced with many challenges. None is greater than rebuilding our nation's economic strength. The key to that economic strength is a job for those willing and able to work. We don't have that today. That is why unemployment is the most serious economic problem facing Los Angeles and the rest of this country. Since 1968 unemployment has spiraled upward to reach a current unemployment rate of 11.5 percent in Los Angeles City. Over 142,000 workers are now draining unemployment insurance benefits; but this is not a true and accurate picture. If we add to these totals those who have exhausted their benefits, the economically disadvantaged who have long been out of the labor market, and the underemployed, we may be realistically dealing with a total of close to 400,000 individuals. That would boost our 11.5 percent unemployment rate to approximately 31 percent. The need for jobs is immediate and enormous and so are the goods and services that these 400,000 people could produce to provide transportation, housing, education, and health services.

Not since the Depression of the 1930's has the need for a commitment to putting Americans back to work been stronger.

We in Los Angeles are trying to do our part to rebuild the economy and create jobs. City policies are aimed at tight fisted controls over our budget and individual City expenditures. We are strengthening our governmental and private sector relationship by creating an Office of Economic Development and an Office of Small Business Assistance. While government cannot solve the employment problem by itself, it can be a catalyst. But to deal with the problem significantly, positive and massive action must come from Washington. Unfortunately, instead of meeting the unemployment crisis, the Los Angeles economy has suffered an almost constant stream of disruptive economic decisions out of Washington. The federal government, rather than easing the adjustments to new economic realities, has attacked a symptom of the economic crisis—inflation—with a set of monetary and fiscal policies which has forced the poor and middle income families to bear an excruciating and unfair burden. The set of policies which has been followed over the last seven years has given Los Angeles the worst of all economic situations—double digit inflation and double digit unemployment.

There is something wrong when pleas for emergency aid to cities do not bring responses. There is something wrong when our vital requests are answered by White House vetoes. And there is something wrong when our voices do not produce a Congressional consensus to override those vetoes.

The Federal government seems to understand inflation only when it comes to the defense budget.

But where is the same understanding when it comes to the need to provide services to Americans in our cities? Where is there a sense of understanding that the security of the people of Boston, Birmingham and San Francisco is not only determined by the magnitude of our missile and submarine power, but by the strength of our police and fire forces, by the quality of our schools and medical care, and by the adequacy of housing and employment?

If the federal government can keep pace with inflation for the Defense Department, then it can keep pace with inflation for people who populate the cities of America.

If the federal government can maintain the U.S. commitment to foreign defense budgets, then it can maintain a national commitment to social progress in our cities.

If the federal government can listen to the pleas of foreign heads of state and to our own generals and admirals, then it can listen to the pleas of its mayors and citizens.

Uncertainty of direction in federal policies—policies governing the economy, energy and spending, to name a few—has meant that Los Angeles and other cities are being asked to do more and more. But the simple truth is that we've been asked to attack the problem without enough strategic support, and casualties have been enormous.

It is time to build a new structure of economic strength to serve as a domestic policy framework for the cities of this country. It should be a policy strong enough to overcome today's problems, but flexible enough to meet tomorrow's challenges.

Let me outline some basic short-term employment actions which I strongly urge:

First, we need a firm commitment to full employment. Mr. Chairman, I concur with the statement you made when you introduced S. 50, "The Equal Opportunity and Full Employment Act of 1975":

"Social justice demands, and economic necessity requires that every American who is willing and able be provided with a job. Failure to provide 'jobs for all' has not only had a tragic social cost on the unfortunate victims of unemployment, but it has also cost our nation trillions of dollars in income, goods, and services.

We must reach out to more who want to work, and offer them opportunities for meaningful jobs at decent wages. I believe enactment of S. 50 and H.R. 50, introduced by Congressman Hawkins, can be an important catalyst to providing these opportunities.

Second, providing funds for continuation of public service employment. This job creation concept has been operating successfully on a limited basis since the enactment of the Emergency Employment Act's Public Employment Program Titles II and VI of the Comprehensive Employment and Training Act. In Los Angeles, the CETA/PSE legislation has created 6,500 jobs, which has allowed the City to provide vital goods and services to the community which would not have been available otherwise. Not only have more and improved services been provided and unemployed people put to work, but the newly created jobs have supplied a necessary missing link to the manpower trainees temporarily placed in "holding status" due to an absolute lack of job opportunities.

It is important that the Congress make every effort to extend the public service jobs program. In doing so, I would urge the Congress to respond to these four points: (1) early action—fully 25 percent of all prime sponsors (some 114) will have exhausted their funds by June 1976; (2) the current program level must at least be sustained; (3) maintenance of the integrity of prime sponsors; (4) no earmarking of funds for particular categories of municipal employees.

Although Public Service Employment (PSE) has proven to be a highly successful mechanism for creating meaningful jobs and improved public services in the public as well as private sector, it appears to me that the Administration and Congress are losing interest in expansion of the program under Titles II and VI of CETA.

Clearly, however, the hiring of 6,500 PSE workers by the City can have only a small impact in a City where almost 150,000 people are officially unemployed; with the unofficial figure far higher. During the Depression, with 9,000,000 people unemployed in the country, about 3,000,000 people were hired into public works jobs. Today, with about the same number unemployed (9,000,000), only 310,000 public service employment jobs have been created. It would take a program almost ten times the level of the current one to have as significant an effect as the job programs of the Depression.

Clearly, maintaining a governmental commitment to providing public employment to the employable is in the national interest. As your Committee's December 22, 1975 report stated: "Further extension of unemployment compensation and broadening of coverage would ease the income plight of the unemployed, but it would achieve little else. Provision of temporary public job opportunities would not only provide the unemployed with somewhat more adequate incomes, but would provide for the maintenance and enhancement of job skills and would result in the production of otherwise unavailable public goods and services." And these unavailable goods and services are essential.

Third, enactment of legislation to accelerate the funding of public works projects. The nation has a continuous need for public capital improvements. It seems only sensible to concentrate on public works in such times and, especially, to undertake more such projects when, as at present, unemployment in the construction industry is high. Not only do public works projects stimulate employment in the construction industry, but they can also trigger widespread increases in demand for the products of construction supply industries.

Early action by the House on the Conference report on the \$6 billion "Local Public Works Capital Development and Investment Act of 1975" (H.R. 5247) should be high on the agenda of the Congress. I strongly urge the President to sign H.R. 5247, and move swiftly on releasing the funds authorized by the bill.

It is important to note that the Congressional Budget Office has projected that a program similar to Title II of the legislation could create as many as 77,000 jobs per \$1 billion initially, and as many as 97,000 jobs after twelve months.

A recent survey by the National Council for Urban Development of eight major cities identified forty-six projects, costing a total of \$190 million, that could be initiated within ninety days. Nearly half the projects could be completed within a year, while only 6.5 percent would take two years or longer.

While such accelerated public works can be one solution to the nation's economic slump, they should not come at the expense of our environmental goals. It is my firm conviction that the requirements of the National Environmental Policy Act (NEPA) do not have to be relaxed in order to support economic development.

In fact, according to studies by the Council of Environmental Quality and the Environmental Protection Agency, a great number of jobs could be created meeting our national environmental goals.

Additionally, I would urge that high priority be given to public works which would assist us in meeting our national energy objectives: reducing energy demand and consuming scarce resources. For example, the Solar Heating and Cooling Demonstration Act of 1974, which provides for the construction of 1,000 solar equipped home and office buildings, could be integrated with such an effort.

Fourth, the granting of antirecession assistance to state and local governments. Today, while the costs to state and local governments continue to rise, the deepening recession is adding new burdens to already over-strained budgets. The general economic slowdown is beginning to take a toll on revenues which are not rising as rapidly as anticipated. Rising unemployment places new demands on social services, while the demand for basic local services—such as police and fire protection—is not diminished.

Again, early enactment of H.R. 5247, which provides a five-quarter \$1.563 billion counter-cyclical grant program, should be a high priority of the Congress and Administration.

Recently, the National League of Cities conducted a survey on this situation. Of the 67 cities surveyed, 42 responded that either tax increases or service cut-backs will be necessary to survive their fiscal squeeze. Thirty-six responded that they were being forced to defer or cancel planned capital improvements. All 43 reported that they anticipate revenues to fall short of original estimates because of the depressed economy.

With state and local spending accounting for 15 percent of the G.N.P., slower growth in this \$230 billion sector could lead to slower growth in the economy as a whole. Instead of the 5 to 6 percent yearly increase in such spending, some analysts expect real growth for 1976 and probably for the rest of the decade to be closer to 2 or 3 percent a year.

In their study of employment stimulation, the Congressional Budget Office noted that antirecession aid is likely to take effect quickly, since the aid is for general purposes and requires no new regulation or administrative structure.

I believe these four near term steps could provide a meaningful stimulus to get the country going again, and put America back to work.

There are other actions, as well, which we must begin to consider.

We need to use our financial know how to promote more efficient use of existing manpower and material. A good place to start would be in the transportation sector. For example, we could offer loans to manufacturers for the production of more buses and rail vehicles, encouraging new companies to enter the marketplace.

A recent study for the Office of Technology Assessment of the Congress concluded that investment in public transit results in about 80 man-years of employment per million dollars invested. The arguments for developing sound mass transit programs using American made systems are powerful—more jobs, energy savings, clean-running, a boost to the economy and a viable urban transportation alternative.

Beyond these immediate actions, let me suggest two additional areas to which I would urge attention be directed as longer-term solutions to our employment problem.

First: For a number of years now I have been interested in strengthening local economies so that they might withstand the trauma of change. My interest was kindled and kept ablaze because Southern California—particularly its aerospace, defense and auto industry, is especially susceptible to cyclical and structural recessions. In response to this, I proposed a few years ago the development of a Joint Economic Revitalization and Productivity Board.

This federally appointed local board would direct innovative pilot studies and recommend ways of revitalizing, diversifying and redirecting the economy to care for basic community needs. With a board comprised of local representatives of industry, labor, finance, and the public, people with firsthand knowledge and daily involvement would help put together programs which have practical application.

The potential of this kind of mechanism is boundless. Areas like Los Angeles or Detroit, which are dependent on recession-sensitive industry, are ideally suited to serve as prototypes for this kind of economic conversion. Investments in such areas would be minimal because of their high concentrations of facilities and skilled workers. Local reconversion efforts, focused on invigorating sluggish economies, are long overdue.

When this concept was first proposed, both the Departments of Labor and Commerce expressed support, but rapid shifts of personnel in Washington stymied final action. I trust its fate will be more positive this time. Though I wish the situation were different, there is no better time than now to formulate this kind of progressive action, with unemployment high and the economy strung out by inflation.

Second, we need a commitment to a new "national economic policy formation program". Our governmental institutions, charged with economic policy, are outdated and simplistic in a world of growing complexity. In addition, there is no institutional mechanism or framework within the government for the systematic development of long-term economic policy. Enactment of "The Balanced Growth and Economic Planning Act of 1975", authored by you, and your colleagues, Mr. Chairman, would be a positive and constructive step in this direction.

I would urge that such a program contain three major components:

First, a long-range orientation. We need to set long-range goals in order to resolve conflicts and establish priorities. The policymaking process presumably is inadequate in dealing with such conflicts and, as a result, choices are made by default or dominated by special interest groups. Choices on major issues, like unemployment, inflation, the environment, and many others, should be made more carefully in an open national debate.

Second, adequate information on which to base major decisions. There should be improved and coordinated gathering of information to identify important relationships—for example, projections for retail consumption should be com-

pared with raw material supplies and production capacity before we can really know what conditions are in a given industry.

Third, and maybe most important, the coordination between different branches and levels of government involved in economic policy and the economy is our economic policy is not consistent or rational in its overall effect on the economy because each area is dealt with separately. Our economy, we must remember, is an integrated, interdependent whole. As long as policy is undertaken in a way that really does not take these features of the economy into account, it is destined to have unsatisfactory results. Economic policy should be made with a clear understanding of what the overall intention of policy is to be, of the interrelationship between the different aspects of economic policy—both foreign and domestic—and of all the advantages and disadvantages associated with alternative policy action.

In conclusion, Mr. Chairman, let me add that it is time for the country to work toward implementing an urban recovery program; a Marshall Plan for the cities. Just as billions of dollars in post-war economic aid for Europe were spent in the two decades following World War II, the same sort of investment should now be made at home. The goal of such an ambitious program should be to recapture the attractive, healthy lifestyle which made this country thrive. To this end, urban recovery should become a high national priority.

We must act and act swiftly and effectively in this recovery, if not out of humane motives, then out of real concern for the very survival of our institutions in the cities.

As a nation, we have to develop the capacity to manage our cities so that we don't forfeit the tremendous investments of time, money and energy in our great metropolitan areas. Restoring them, of course, is not a simple proposition. Years of neglect, waste and inaction cannot be swept away overnight. While it won't be easy, it is not an impossible dream. But we must begin now.

Chairman HUMPHREY. Thank you very much, Mr. Mayor. I am just going to ask a couple of questions, because I know your time is limited, and we don't want to hold you too long.

Revenue sharing, you mentioned the urgency of its extension. I think that I can say that there is a feeling in Congress that this will be extended, but it needs to be extended on a timely basis. What is the amount that the city of Los Angeles would receive under revenue sharing under the present formula?

Mayor BRADLEY. Slightly over \$40 million.

Chairman HUMPHREY. Any failure to get that would have a very serious effect upon your municipal services, would it not?

Mayor BRADLEY. It would have a devastating effect upon it when you consider that quantity of money that is a part of our whole budget approach to solving our problems.

Chairman HUMPHREY. Under CETA, did I understand you to say, you would have 6,500 jobs?

Mayor BRADLEY. Yes. We are the prime sponsor, and, though the city has a goodly portion of those jobs, many of them—most of them, in fact—are given out to the other public agencies and some private organizations.

Chairman HUMPHREY. Yes, but, as the prime sponsor, your amount is 6,500.

Mayor BRADLEY. That is what we have.

Chairman HUMPHREY. As I understand from the staff here—what is the budget authorization on CETA? I mean, what did we provide for in the current resolution? Does anybody know here? Do you know, Mr. Kaufman?

Mr. KAUFMAN. I don't have that figure, Senator.

Representative ROUSSELOT. There are two allocations. There is one for both the city and the county.

Chairman HUMPHREY. But I am speaking in terms of the total national authorization. I think we had—

Mr. KAUFMAN. I believe it is about \$2 billion, Senator.

Chairman HUMPHREY. About \$2 billion. What is that—how many in number of jobs is that? About 300,000 jobs is what I am getting at which, for the Nation with an unemployment rate of 8,000,000 people, that is hardly a significant contribution, and, yet, to lose that would be a major disaster.

We do have legislation in the local public works assistance bill. I believe that is—is that in conference, John? I believe that is in conference, and, therefore, will most likely be promptly passed when we get back. That is an authorization bill, however, and there still has to be the appropriation made.

I think what you are trying to tell us, Mr. Mayor, is. "Hurry up." Isn't that right.

Mayor BRADLEY. Exactly.

Chairman HUMPHREY. The Congress works on the basis of molasses in the Arctic circle at times. We have to go through these tedious processes of, first, the authorization which is the expression of hope, and then comes the appropriation which is the fulfillment of reality. Sometimes the reality is less than the hope. We will try to take your message back, and I hope it will be noted, because it is so terribly important that these things come in a timely manner, because to have to lay off and start up again is an incredible waste of time and resources.

I am going to turn over now to Congressman Rousselot, and I will come back to you.

Representative ROUSSELOT. Mayor Bradley, could you comment a little bit on the CETA programs that we have had here, because they are really directed, as you say, at not just finding jobs or training for jobs in the public sector, but also the private sector. Could you comment on some of the more favorable programs that you have had here in this area?

Mayor BRADLEY. I would say, Congressman Rousselot, that we have had an excellent program in the CETA in this community, and the jobs range all the way from clerical to recreation workers to community service representatives. You take a whole range of employment in this community, and you will find people working in CETA in these categories, all designed to assist in providing public services that are needed, and that people deserve to have and ought to have.

Representative ROUSSELOT. In many cases, the Federal Government, the State government, and the local governments try to cooperate in funneling in potential job openings.

The thing that impressed me about the program in this area is many times they dig up kind of hidden jobs that aren't advertised or aren't known about, and that is an aspect of it that sometimes we don't hear about. The program personnel try to get people to rethink and get out of a rut that they are only competent to serve in one area of employment and, therefore, it kind of expands their capability in getting at the jobs.

Mayor BRADLEY. The importance of the training program under CETA is that some people who may have had skills in one category or the jobs are being phased out or there are no opportunities, have been retrained for new jobs, new opportunities that can insure their employment on a long term basis.

Representative ROUSSELOT. As disastrous as the phaseout of the aerospace industry was in many respects, we learned from that experience. Many of those people who had been maybe 15 or 20 years into a given kind of profession had a capability of moving into other sectors of employment and really bringing a skill and a capability, with maybe a little retraining, that they hadn't even thought about.

Mayor BRADLEY. Exactly.

Representative ROUSSELOT. That was a helpful thing, even though that was a very agonizing experience. We learned from it that you get people to rethink new areas.

I remember so well a physicist who came to a meeting that I had in my own district complaining how he was going to have to give up his airplane, and so forth, but that he is now placed in a private sector job, as well as an hourly worker who had never thought of himself capable of, say, selling motorcycles or cars or being in other kinds of employment.

One contribution CETA has made, even though we have had a few problems with it here, is that they have tried to get people to rethink moving to other areas of employment, and that has been helpful. I know that you have been active in trying to do this.

Mayor BRADLEY. The capacity for ingenuity for relearning is enormous, and we discovered that. It certainly has been true in the CETA program.

Representative ROUSSELOT. Part of the encouragement they got from the CETA program was that there was somebody there to counsel with them, and kind of open their mind up to other areas that they could go into. That certainly was money well spent.

Chairman HUMPHREY. Congressman Hamilton.

Representative HAMILTON. Thank you, Mr. Chairman.

Mayor, I was quite impressed with your observation and your statement about the number of people who are actually looking for jobs in this community. It comes to something like 400,000, I think, in your prepared statement.

Mayor BRADLEY. That is right.

Representative HAMILTON. One of the really strange phenomena in 1975 was the fact that, even though you had this very high unemployment rate and, as you suggest, underemployment rate, we did not have a lot of disorder in the country, or violence. I would like your observation as to why that was the case, and how long you think we can go with these kinds of unemployment rates without rending the fabric of our communities.

Mayor BRADLEY. That is a difficult question to answer, because one can only speculate.

Representative HAMILTON. Yes.

Mayor BRADLEY. Let me tell you that one of the reasons I think that you have not had that kind of reaction is that there is such a depth of despair, such a sense of hopelessness, that the idea of reacting in a violent fashion to get attention simply has not occurred. I think that

the fact that we care, that we are trying to do something about it, even though it is a minimal effort by the Federal Government, for example, when you provide 300,000 jobs when you have 8 or 9 million people unemployed, but even the fact that we are willing to do something while we wait for the private sector to sort of catch on once again is at least some hope for some people.

I think that what people need is a sense of hope. If you have hope, then you are not inclined to destroy. You are not inclined to despair so much that you engage in violence. I think that is the best answer.

Representative HAMILTON. Can you tell us some of the problems a city faces as the result of this high unemployment, special problems? What happens to your crime rate? What happens to your health programs? What are the special burdens put upon the city of Los Angeles by reason of this unemployment situation?

Mayor BRADLEY. I can tell you from observations that have been made, not just in this city, but in other parts of the country, that there is a direct relationship between the crime rate which goes up when you have an increase in unemployment.

You have the other social dislocations, whether it is in health or psychological stability. All of these are directly related to the employment rate. I think you will find study after study that will reinforce this kind of statement.

Representative HAMILTON. One of the things that this committee has recommended in the past has been the creation of emergency large scale public works projects to give temporary work to people who are out of work. I would just like you to comment briefly, if you would, on the city's capacity to administer that.

If we were to enact such a program in the Congress, and, as you know, we are considering it, and you have recommended it in your statement, you always run into the problem of can you get it into gear quickly enough? Can the city of Los Angeles get it into gear quickly enough so that we actually do some good. We put people to work quickly, and do some good, also, so far as the projects are concerned. Can you comment on that?

Mayor BRADLEY. There is no question about the fact that this community could do that. We have postponed the construction of the capital improvement projects this year, because we simply didn't have the money. As we developed our budget over \$880 million last year, we had to cut out in order to avoid a deficit.

The postponement of these kinds of capital projects, all the way from street resurfacing to the construction of vital buildings—we could have used the money had such a public works assistance program been in effect this year.

I tell you, we can use it next year. So, as soon as you can get it, we will be ready to go.

Representative HAMILTON. Your statement was very helpful, Mr. Mayor, and I appreciated it. Thank you, Mr. Chairman.

Chairman HUMPHREY. Congressman Hawkins.

Representative HAWKINS. Just one question, Mr. Chairman.

Mr. Mayor, you have indicated the situation with respect to CETA and the possibility that, unless funds are forthcoming by April, you will be unable to continue the program. Let me try to project that in a larger manner.

It is pretty well known that there will be a continuation of the very policies that we are now suffering from. That is, the President has already announced his plan to continue unemployment at a very high level. That is, around 7.5. The Department of Commerce, in a very optimistic way, says that that will be continued throughout 1976.

The President has already announced, as a matter of public policy, a rather reckless cutback. That is, a percentage cutback across the board in all of the programs, programs that would include CETA as well as the other federally assisted programs across the board.

In terms of what is going to happen, not because it is speculation, but because this is the President's way of fighting inflation, by creating unemployment and by a cutback—a so-called cutback in Federal spending, what will be the impact on a city such as Los Angeles if these policies are continued throughout 1976 and into the future at the current rate? Will you be able, as a city, to absorb these programs to continue your revenues at the current level to hold your deficits down if these policies are actually continued?

MAYOR BRADLEY. This city is already strapped financially. I indicated to you that we had to postpone the capital programs in some categories. We had to delay the replacement of vital equipment. We even were forced to the position of considering leasing equipment at enormous cost instead of having to buy it, because we simply didn't have the ready cash to do it.

We are already strapping our taxpayers. I would say that we have used about every category of tax that we could think of, and it has already reached a stage where we simply feel the taxpayers cannot afford any additional burden, property taxes, business license taxes or some of the other nibbling taxes that are enacted here.

So, to go to them to ask for additional funds just to continue the current level of programs, some of which have been funded by the Federal Government, would, I think, be an imposition on our people, asking them to pay in ways that we call regressive taxes, and I think this is something that ought to be recognized.

So, the services that we are talking about are not luxuries. These are essential services that ought to be provided, and it is my hope that Washington can recognize this.

REPRESENTATIVE HAWKINS. Are you assuming that even with a continuation of revenue sharing you will still be strapped?

MAYOR BRADLEY. Yes. With our current revenue sharing, we are facing difficult problems. We have not yet prepared our budget so that we have a clear picture of what the deficit is going to look like next year, but, without even looking, I can tell you there is going to be a deficit facing us. It will mean some additional cutbacks.

We have been very careful about how we have managed business in this city, and, even with that effort, with that kind of sacrifice, we are still going to be faced with serious consequences in the years ahead.

REPRESENTATIVE HAWKINS. Thank you.

REPRESENTATIVE ROUSSELOT. Mr. Mayor, do you think we face, in beginning to have to trim some of these essential services in Los Angeles, in the city of Los Angeles or the county, the same kind of problems that are now facing New York?

MAYOR BRADLEY. I would say that we are not in the situation that New York is. Theirs was a buildup over a long period of time. I think

we have been rather careful about the way we have managed our projection for income and expenditures, and we have made them balance, and we have lived within our revenues. So, I don't think there is a fair comparison there.

But I can tell you this. If we continue to delay replacing equipment, if we continue to postpone capital projects and resurfacing of streets, that is going to catch up with us. You will be driving down streets with pockmarked thoroughfares. We don't want and can't afford that kind of thing in this community.

Representative ROUSSELOT. Now, Governor Brown told us that it is going to be difficult for local governments to get much increase in grants from the State level, and local and State governments have become reluctant to tax, as you say, for more revenue. Should we begin to think about more taxation or greater deficit financing at the Federal level to provide some of these services?

Mayor BRADLEY. The thing I am thinking about is a form of taxation. You and I know that the progressive income tax is a far better tax than the regressive property tax upon which local government has to rely so heavily. It is a matter of reforming, of restructuring that kind of tax burden on the people that produces a fair revenue,

Representative ROUSSELOT. I think the points you are making are very real, and we just got into a debate on the House floor, of course, on the whole issue of how do we close "tax loopholes" at the Federal level. But every time we touch those buttons of closing tax loopholes, people argue that those are the very areas of incentive that are supposedly for investment in key areas in the private sector, and they get very uptight about that.

So we have a problem of trying to find greater sources of revenue. I am not a great advocate, as you know, of the personal income tax, yet aside from that, every time the House has these debates on the floor of how to close the tax loopholes, we encounter opposition from those who don't want to see these deductions changed. If the Federal Government is going to be the employer of last resort, where do you suggest we get the revenues to do some of these things, since you are already tight as a drum here locally?

Mayor BRADLEY. I indicated in my remarks that, when we talk about the Federal Government's being the employer of last resort, of producing the kind of programs that put people to work, this is not necessarily a matter of putting additional burdens that the country has to bear.

We are really talking about a substitute for the income maintenance of unemployment. The unemployment benefits are a heavy burden on us. Welfare: A heavy burden on us. Instead of paying these in subsidies for that kind of maintenance, let us produce the jobs that pay people and they, in turn, can offer some additional tax support to this Nation. This is the kind of thing that I think we need to be thinking about.

Representative ROUSSELOT. Do you think the Federal bureaucracies do a better job of producing these jobs or the State and local governments?

Mayor BRADLEY. I think the Federal Government is the best collector of taxes.

Representative ROUSSELOT. We have heard that before.

Mayor BRADLEY. Yes. I think it is a fact. When that money is made available at the local level, I think that we can come up with creative ideas for how you use it, and it doesn't always mean that it is going to go into the municipal coffers, because, in many cases; that money is contracted out to the private sector and produces jobs in the private sector market.

So, I think that, if you provide the opportunity, the resources, we will come up with programs that can most creatively use that money at the local level.

Chairman HUMPHREY. Mr. Mayor, I think the time has come for us to say quite frankly that the programs of unemployment compensation and the income supplements that we use, such as food stamps and welfare, while needed in certain cases—and surely they are—ought to be fair and just. Unemployment compensation was designed, as you know, for a temporary palliative. It was to fill a gap between the loss of a job and the looking for a new one. It was never intended to be a long term, and I repeat, a long term, a year, year and a half, 9 months, 18-month period of income maintenance program. It was never designed for that.

Now, my point, as I see it, is that the Government of the United States, Congress and the executive, had better come to grips with the fact that what we have been doing isn't doing. It just isn't doing. We are spinning our wheels. We have about 1 percent less unemployment today, officially, than we had 8 months ago, and it is doubtful whether that figure is accurate, because, truly, a large number of people have just dropped out of the employment market, as you yourself have noted, and no longer are even registered looking for employment.

So, I think that what you have been saying here makes an awful lot of sense, and it is what Gus Hawkins has been saying in the House, and I want to compliment him on his initiative, because, while I joined in the Senate, it was Gus Hawkins who took the initiative on the employment bill.

The question before the American people is whether we are going to continue to subsidize no work or whether we are going to subsidize work. That is the question, and you have put it right on the line. When you are paying out these income maintenance payments, those are not taxable, and they are so small that they seldom generate economic activity.

Now, if you had work programs, such as you have indicated that your community would be prepared to undertake if the money were available, you put people on the payroll. They get a check. They get a check from a private employer or from a local governmental entity. They are on the payroll. They are taxable. They spend that money right here, and you improve the things that need to be improved.

I want to say to State and local government that, if we keep postponing everything that needs to be done, you are going to be in the same position that the Senate of the United States was in postponing the Senate office bill. We build four wings of a Senate office building some 12, 14 years ago, and now it will take more money to build one wing than it took to build the whole four, because some Senator around there thought he was being a great economist. and he was promoting economy by cutting back on the Senate office building. So, he cut out

a wing, and that fellow cost us more money for one wing than the total four other wings cost. That is the kind of nonsensical economy that some people get involved in.

I think that the time is at hand to take a look pointblank at what you are talking about. Jobs. Particularly for people who want to work, and there are obviously large numbers of people who want to work.

Now, we prepared in our midyear report, and I won't read it for you. I want you to take a look at it, and I think you have seen it, an emergency employment program that can shut off and on. As the unemployment rolls go up, the employment program increases with it. As it comes down, you cut off the program. Programs that can have starts and stops without economic loss, and there are a lot of programs that can work this way.

The problem of youth unemployment is going to plague this country for decades to come unless we come to grips with it, because we are bringing up a whole group of young people in this country, in our major cities and in rural areas, that have never had the experience of gainful employment. They are going to learn to live as what was said in Atlanta in a shadow economy of benefits, handouts—benefits over there, and creaming off something over here.

This is a part of the socioeconomic problem of where we are going to have a large number of people who have never had the therapy of work, the experience of work, the excitement of work, or the discipline of work, 25 percent of our workforce is young people between the ages of 16 and 25, and 40-some percent of those are unemployed, 25 percent of our workforce is age 16 to 25, and 43 percent of our unemployment is between age 16 and 25. In the most vital years of their life, and then you wonder why there is shoplifting, crime, mugging. Why there is cheating. We promote it. The Government of the United States and the local governments have a college for promoting it. We are paying tuition to promote it rather than putting people to work.

Now, let me ask you a question. When you had these CETA jobs open up here sometime ago, did people line up for them?

Mayor BRADLEY. By the thousands.

Chairman HUMPHREY. They wanted to work, didn't they, Mr. Mayor?

Mayor BRADLEY. Far more than we could afford to hire.

Chairman HUMPHREY. How much were you paying them in those CETA jobs? Big money or little money?

Mayor BRADLEY. Oh, no. It would start as low as \$500 a month and go up to, perhaps, \$1,000.

Chairman HUMPHREY. But most of them were in the \$500 or \$600 a month?

Mayor BRADLEY. The lower category wages.

Chairman HUMPHREY. And they lined up to take the jobs, didn't they?

Mayor BRADLEY. Yes.

Chairman HUMPHREY. Wouldn't you think the Congress of the United States and the President would catch on? Do you know what is the easiest thing for us to do? Print the money, sign the U.S. Government's name and say, "Hey buddy. Just come up here and get your check. Don't do anything, but just get your check."

You have to be stupid to keep this up. I am not even picking on the President. I think we are almost as bad in the Congress as they are. We are afraid of our shadows.

Now, we have passed a little better bill than the President wants to sign. He vetoes one that is half right. We finally settled for one that is about one-eighth right, 300,000 public service jobs that we provide for the whole employment program of the United States of America with 8,000,000 people unemployed. You ought to almost be prosecuted for such deception. [Laughter.]

That is the way I personally look at it, and that is why I am out here on these hearings. I think the time has come for this country to grow up or we are going to bankrupt ourselves paying for nothing.

Now, isn't it better for you, Mr. Mayor, to be able to fix up the streets now before it costs twice as much to do it?

MAYOR BRADLEY. Yes.

CHAIRMAN HUMPHREY. Because what you are really buying now, you are postponing what you ought to do, so you are going to pay twice as much for it, and you are paying people to do nothing when they ought to be doing something, so you are going broke doing that.

MAYOR BRADLEY. Yes.

CHAIRMAN HUMPHREY. And we have wise people in Government. I want to tell you, if this keeps up, we will have to abolish the colleges and the schools. We are producing idiots. [Laughter.]

I mean, if we can't do better than this. I feel very strongly about it. I feel, personally, that, unless we put our people to work in this country, we are going to have an insidious poison grip our economy. I have said it repeatedly. It is like a low grade infection. It just slows us down.

Here we are, a year after the recession, a year and a half. We are arguing about whether we can have recovery. Is the housing program going big guns here in Los Angeles, Mr. Mayor?

MAYOR BRADLEY. No, sir.

CHAIRMAN HUMPHREY. Now, you know and I know that, when you build homes, you employ labor. You employ skilled and unskilled labor by the thousands. Now, a home is collateral. It is a whole lot better than a food stamp, but we print the stamps. We will hand out the unemployment compensation, and nobody has enough guts around here to really bite the bullet, as they say, and to really propose a program, except a couple of us, and we are going to propose it.

And I know what I am going to hear. You have no sense of fiscal responsibility. Well, I will tell you something. I don't know what these fellows run, but I run a small business, and I was just out home looking at it, and I want to tell you that I have to borrow money to run that business in order to stay in business. Otherwise, I have to close up, but I borrow money to make money so I can pay my bills, hire the help and expand, and nobody on God's green Earth ever went in business that didn't do that. Otherwise, we would all be living in teepees and communicating with smoke signals.

Isn't that a fact? You have to have credit in order to expand, and we have a Federal Reserve System today that says, "Don't have too much credit," and we have a Government that says, "Don't provide those jobs. That might hurt them." We are a compassionate people, but we

are foolish. Compassion is not just handing your kid a check every time he comes in the house and cries and says, "Daddy, be good to me." Compassion sometimes is discipline. Sometimes it is saying, "Hey, son. Go out and mow the lawn. Wash the car. Clean the basement. The garage needs fixing up. Do something and Dad will provide you with a little help."

I was brought up in the old-fashioned school, and I consider all these modern conservatives the most radical people I have ever met in my life. They just believe in handing it out. I believe in working it out. [Laughter.]

I believe in working it out. I really do. I think that the only way we are going to get out of this whole mess, is just to work out of it.

Now, I want to give you one other suggestion, then I am going to shut up. The long-term aspects of what we are doing here. Did you read the report of the Atlanta conference?

Mayor BRADLEY. Yes, I did.

Chairman HUMPHREY. Have you seen it?

Mayor BRADLEY. Yes.

Chairman HUMPHREY. There is evidence beyond doubt that, as we ignore these problems of recession and permit this recession to lag, we are building into the cost of State government and local government protracted costs of the care of the sick, the mentally disturbed, alcoholics, crime for years to come. In fact, there is a lag period, a gap. That the problems that we have now, come to roost in the State government about a year and a half, 2 years from now. In other words, your institutions are going to be filled.

We have incontrovertible evidence as to the effect of unemployment upon human beings, not just in the loss of income, the suicide rate, the homicide rate, drug abuse, alcoholism, and what we know to be the rates of crime, of property crime and personal crime. We are going to be busy building institutions. That is what our public works program is going to be, and I want to tell you that mayors and Governors and legislators and city councilmen and supervisors are going to be sitting around pulling their hair out trying to figure out 2 years from now how we are going to take care of the people that are the victims of the shock of the depression and the recession. That is what is going to happen.

You listen well to what Hubert Humphrey says, because I don't want a thing. I am on this committee for one reason. Somebody is going to have to start telling the truth as they see it and lay it on the line. If we keep up what we are doing now, we are digging our grave and there won't even be anyone around to push us into it. [Applause.]

I know there are those here that disagree with my point of view, but I have a point of view, I will tell you, and I hold it, and I think I am pretty right, even though I am prepared to be proven that I am wrong. But the economists who have been advising us, even they have been, some of them, too timid. Some have been, I think, on the beam. They have said, pointblank, that you have to do a certain amount to get any results.

Now, I believe in fiscal stimulus. I am a private enterpriser, really. A lot of guys talk about it, but they don't run any private enterprise. I do. I meet a payroll every month outside of the Government. I pay property taxes outside of the Government, income taxes of business,

even a little family corporation. I can really talk about this stuff, because nobody is going to come up to me and say, "Humphrey, have you ever met a payroll?" You know, those smart alocs that come up to you like that. You bet I have, and I am just meeting one right now, been taking inventory, been out tending to the books.

I know what it means to compete privately and publicly. I don't mind losing publicly, but I hate to lose privately. [Laughter.]

I will tell you something. I can take a look at the income in a business and tell you what is happening to the customers. That is the whole business right there. The customer is what counts, and you have given us today the kind of information, Mr. Mayor, that comes all over this country. The only problem is the wrong people are always listening to you.

It is sort of like my preaching prohibition in the Methodist Church. [Laughter.]

We, I think, are pretty well convinced that something needs to be done, but I can't get my buddies—we can't get people to act.

Now, John, do you want to rebut?

Representative ROUSSELOT. No. Senator, I wouldn't want to try. [Laughter.]

You are too enthusiastic. I would comment that I do agree that we should take a hard look at some of these programs like, say, the food stamp program to see if it is really meeting the things that it is intended to meet. Is it really helping the elderly, this kind of thing?

I know Gus Hawkins has a bill that I don't entirely agree with, but I think his effort is correct that we at least have to reassess. Mayor, I was very interested in a comment in your prepared statement that I think I will bring up for the benefit of my colleagues. That is your suggestion that we start meeting some of our national energy objectives.

We have several solar energy tests going here in this area to try to test whether solar energy can be used to reduce the amount of energy required to run a small home, and that it is becoming feasible. Could you comment on that, because you have it in your testimony, and I think that is an area where a whole new industry—and I don't mean to be too euphoric about it—could open up if we could begin to use that natural resource, and it could provide some jobs, too, for constructing those kind of things.

Mayor BRADLEY. I think it is apparent to all of us that we have got to turn to some alternatives to the natural resources that we have been using in the past, because they are finite. We are going to run out of them, we might as well face it, and the opportunity for experimentation in alternate sources of energy, I think, offers enormous opportunity for this country.

We are already beginning that process here, dealing with solar energy. Not only with the construction of housing, but the convention center—heating that. We are turning to alternate uses in heating swimming pools and other facilities.

Representative ROUSSELOT. The jet propulsion laboratory in our area tells us that in the test units they have started, they can save up to 30 percent or 40 percent of the energy required for a 31-unit apartment, by making use of solar energy. I realize that we have a little more sun here than you do.

Chairman HUMPHREY. We don't have to go through so much of this smog.

Representative ROUSSELOT. You have noticed that. We cleaned it out before you came here—the mayor did that.

But the whole potential industry is feasible now and we can begin to move. I notice you endorsed the Solar Heating and Cooling Demonstration Act of 1974. We discussed that in the House. Those of us who come from the areas that have more sun available tend to get talked down by the others. But it is a real potential and many of our aerospace people have begun to devote their energies to that effort. So I am glad that you brought that in.

Representative HAMILTON. Mayor, one of the comments we hear so frequently is that the way the welfare programs are structured today—food stamps, unemployment compensation, and all the rest—is that it is much better to be on welfare than it is to go to work. We actually have disincentives built into our welfare structure.

How do you respond to that observation? Is that the case? You have given us a number of examples here of literally thousands of people in Los Angeles who are lined up for just a few jobs. It makes you wonder about that observation.

Mayor BRADLEY. There is no question in my mind about that fact. I don't argue with the fact that there are some, a small number, who are what we call "welfare cheats," and who just want to use that device to get by.

But all you have to do is to go to any employment line and see the hundreds or even thousands of people who line up for one or a dozen jobs. That ought to be convincing enough to us that people would rather work than receive handouts, whether it is welfare or anything else. I can assure you that is true here in this community.

Representative HAMILTON. You said that could be a very low wage, too. I think you commented that some of these jobs are paying \$500 a month, and still they are lining up.

Chairman HUMPHREY. We are very grateful to you, and I, particularly, am grateful that you listened to my outburst as well.

You are a very generous and kind man and I want to compliment the people of this city on having you as their mayor.

Mayor BRADLEY. Thank you very much, Senator.

Chairman HUMPHREY. We now have a panel relating to the economic situation in the Western States. Will the panel members please come forward and take their chairs?

We have Eunice Elton, director of manpower planning and research, Office of the Mayor of San Francisco. We have Mr. Kenneth Hahn, Los Angeles County Board of Supervisors. We have Mr. Jack Henning, executive secretary-treasurer of the California Labor Federation. We have Mr. Donald Vail, director of California Department of Industrial Relations, and we have Mr. George Weyerhaeuser, president of the Weyerhaeuser Co.

That is a very fine panel; might I suggest that we proceed in alphabetical order, simply because in that way there is no assigned favoritism here. We will just get the message as it comes. We will do as follows: We will ask you for your statement, Ms. Elton, you will be followed by Mr. Hahn, and then down the line with Mr. Hennings.

I will call for you and after you are all through with your statements, we shall visit with you.

Please proceed, Ms. Elton.

STATEMENT OF EUNICE ELTON, DIRECTOR, MANPOWER PLANNING AND RESEARCH, OFFICE OF THE MAYOR, SAN FRANCISCO, CALIF.

Ms. ELTON. Thank you, Senator, and members of the committee. What I want to do is to highlight the paper that was in your hands—a hop, skip and jump through a good deal of it.

I must say for San Francisco that at the present time we have an unemployment rate of 11 percent. Our community across the bay, Oakland, is higher than that. It is 12 percent or more. The bay area as a whole is just under 10 percent. We are hurting, as you have heard Los Angeles is hurting. The city is an area in which we have much in-migration. People have been going west for many years. We are also a gateway city with many persons coming from South America, Central America, the Far East, the Pacific areas. We do have to keep expanding with more jobs in order to even stand still. We have had a situation for the last 30 years in which the unemployment rate goes up, it goes down, it goes up again. But when it goes down, it doesn't go down proportionately for all people. It goes down less for the laborers, for the unskilled. Each time the base on which we start another increase in unemployment starts from a higher level of the unskilled workers. So we have a particularly difficult situation that is hidden, frequently, in our unemployment rates.

If we were to get our unemployment rate down to 8 percent nationally, or to 7 percent, we would not have an equal improvement in the situation for all categories of workers. I think we do need to make a special effort, then, to keep track of the unemployment as it hits the various groups.

In the economy, too, we see every evidence of uneven recovery. A major bank in our area has predicted in 1976 a 26-percent improvement in corporate after-tax profits, but only a drop of 1 percent in the unemployment rate. So again, in the economy as in unemployment, there is an unevenness that should be considered.

The manpower programs are not creating any additional jobs to speak of. A few, perhaps, but primarily what we have been doing is redistributing which people are unemployed.

In our community we have put very heavy emphasis on the training and employment of people who are economically disadvantaged. Frankly, that generally means minority group economically disadvantaged, since those are the people who are so substantially unemployed.

There are some things that could be done to equalize the employment opportunities—more nearly equalize, I should say—than we currently have. For example, Uncle Sam, of all of our employers, is the one that is allowed to discriminate against aliens. You can't work for the Federal Government if you are not a citizen. In a city such as San Francisco, where we have so many people coming in as new residents, we are losing the skills and the trained manpower. Simply, it is not possible for the Federal establishment itself to hire people who have needed skills.

We also have some very serious restrictions in licensing requirements, and in the examination process for jobs. Now, licensing requirements and the examination process for certain kinds of jobs are State responsibilities. I bring it up here only because the Congress has been known to use a carrot and stick approach in other areas where it is possible to come up with inducement to attempt to equalize some of the inequities.

I would like to mention, also, that we are in need of funds for the language programs for our new immigrants from Southeast Asia, the ones we generally refer to as Vietnamese, but who are just as likely to be Laotians or Cambodians as well. The education in English is going to be the key to employment of many of those people. They are coming to California in very large numbers and a substantial proportion are ending up on the welfare and public assistance rolls.

The things I have been talking about so far, though, are things which would tend to benefit special groups. I would like to mention some things I think should be done, because I feel strongly that we need job-creation strategies as a part of national policy. The things I am saying are not new with me. I have heard them from other people who know more than I about how economics works. But we should have a labor intensive tax credit to provide positive tax incentives to industry for capital expansion, which results in a direct and indirect creation of additional jobs. We should have a reduced or eliminated capital investment tax credit for plant or equipment, that diminishes the labor intensive work force. And I feel we should have an effective economic disincentive on American firms as to tax capital expansion and capital investment practices, which exclude American citizens and U.S. residents from job opportunities.

We in the bay area, for the last several years, have been watching much of our electronic assembly work disappear. We have a very fine electronics industry in the peninsula. It is clustered around our fine universities. But, in recent years, the assembly of the final product has tended to be exported. We do the skilled work in our country, but we send the assembly job to Singapore. Recent examples from my own staff's experience: An employee who bought a Rockwell calculator found it was hand assembled in Mexico, though the parts were made here; a walkie-talkie was assembled in Taiwan, with parts fabricated by a firm in Kansas City. What we are doing, really, is performing the highly skilled jobs here and exporting the labor intensive jobs. We need those labor intensive jobs in our own economy.

We could have economic policies that reward the employment of certain specialized groups. The physically handicapped, for example. We could pledge the economic power of this Nation in support of new industries, new facilities, new mechanisms. You have spoken of one this morning. Mayor Alioto, who brought me into city government, has spoken frequently of the need to develop the geothermal energy industry. I speak of the need to use enough capital to develop the conversion of the city's wastes into energy. That probably can't be done without providing some kind of backing from the public sector for the great capital investment needed, but there is a potential for a whole new business there.

I want to speak very briefly about the employment problems of the inner city, with respect to the public assistance recipient. I am not

really a bleeding heart, but I do find in the manpower programs we run, we have less than half the success in training and placing welfare recipients that we have with others. The same things that make them welfare recipients in the first place are making them very hard to employ. The rewards for taking jobs simply are not there. There is a very strong disincentive. It is almost improvident for a person to take a low-pay job that takes him or her off the welfare rolls and forces him then to pay for his own medical services, child care, and food stamps.

The fear of delays in reentering public assistance rolls is one of the great things—it just is simply too great a risk. We actually are getting down to the point where we talk about the deserving poor—those drawing unemployment insurance—the victims of cyclic employment, and the undeserving poor—our public assistance recipients. Somehow we have got to get ourselves out of that one.

We do need to provide real work and we do have some experiments going on in the country in what they call, “supported work programs.” The public service employment program, itself, really is an experiment in a supported work program.

We have, as Senator Humphrey spoke of, the fact of a whole generation whose services are not needed. I see the public service employment program as being a real way to try to help move young people on the transition from school into the labor force. Without that, we are going to continue to have them rattling around and creating problems for themselves and for each other.

One additional thing I would like to ask you for is to get that census down from a 10-year interval to a 5-year interval. We are constantly working with obsolete material.

Also, we have been speaking this morning of CETA, the allocation formula for CETA—

Representative ROUSSELOT. Let me interject. That bill has just come out of subcommittee in the House, so we are moving.

Ms. ELTON. The day that it really gets passed is going to be a happy day for those of us in manpower.

The allocation formula for CETA is one that is a multiple and complicated one, but it has a tendency to move from manpower funding, from the inner cities, out into the suburban areas. We are badly in need of a change in the allocation formula, primarily for the title I programs, the manpower training programs. We do have a 90 percent hold-harmless factor in the legislation that keeps us from losing more than 10 percent a year. But 2 years ago it was 100 percent. Last year I had 90 percent to work with. This year I have 82 percent to work with. Next year it will be 73 percent to work with, and the year after that it goes down to 57 percent, and it is not enough to do the job.

In the midyear review of the economy you had a number of things which I would like to mention.

You spoke of the need for more aid to local government. Certainly in local government we do either need more aid or a way to open up more access to new tax sources. We need your general revenue sharing money badly in San Francisco. Either that, or you need to make it possible for us to shift the funding so that we can raise the funds ourselves.

I think the heavy emphasis on public service employment is fine for us. I spoke about it as being a way to solve the problem of the new entrants.

The concept of the emergency jobs program certainly draws my support, but I have two problems with it. The Federal determination of which project ought to be funded is not as acceptable in a local community as local determination. We think we can identify our problems better and we would like to be able to make those decisions.

Chairman HUMPHREY. Agreed.

Ms. ELTON. It is not that I disrespect my Federal cousins, it is just that I am closer to it than they are.

The \$3.50 salary ceiling in San Francisco is just totally unrealistic. We cannot, at a \$3.50 ceiling, hire janitors or anything but the most elementary kind of clerical worker. There is no way we could provide laborers for our parks. The \$3.50 simply won't do it. Our wages are higher than that.

Senator Bentsen, in his minority report, has proposed tax credit for employers who increase their employment. I certainly concur, but I hope there would be an incentive differential for hiring in the low-skill levels.

The Equal Opportunity and Full Employment Act has some very interesting proposals. Here again, I would like to have the responsibility at the local levels, where I feel that any kind of employment and manpower programs need to be responsible to the local electorate through the locally elected officials.

Finally, I do see a possible duplication of roles between functions of the proposed National Institute for Full Employment and the National Commission for Manpower Policy.

Thank you for letting me give you my laundry list of wishes. I appreciate the opportunity and I hope to answer questions.

Chairman HUMPHREY. That is no laundry list, may I say. A very practical list of suggestions and we appreciate it.

[The prepared statement of Ms. Elton follows:]

PREPARED STATEMENT OF EUNICE ELTON

Mr. Chairman, members of the Committee, staff, and ladies and gentlemen. Let me thank you for the opportunity to comment at this, your West Coast Hearing, on the employment needs of our area. And let me thank you also for undertaking the difficult task of making the Employment Act of 1946 an effective instrument of national full employment policy.

You have heard from those who preceded me the facts of the employment situation in California. I am the senior staff person in manpower for the City and County of San Francisco, administering provisions of the Comprehensive Employment and Training Act and other related matters, and I can assure you that performing that job in a City with an unemployment rate ranging for many months between 10 and 11 percent makes one very aware of the need for a corrective course of action. Our City suffers the classic problems—lack of jobs, decreasing employment in the blue collar occupations (we have lost an average of 1,000 manufacturing jobs a year for twenty years), with out-migration of the middle-class and its white-collar workers to suburban areas.

At the same time we have the very real benefit of being a Gateway City, with a strong inflow of new residents from Central and South America, from the Far East, and from the Pacific areas; we benefit from the git-up-and-git of the new residents and from their cultural diversity. As the earlier presentations have made clear, however, the "Go West, young man" motif and our current immigration mean we have to continue a strong employment growth pattern even to hold a level unemployment rate.

We have for the past 30 years experienced a series of ups and downs in the economy during which the unemployment rate has risen, then fallen, then risen again with each economic setback. When the unemployment rate declines it does not decline equally for all occupational groups. Rather, the unemployment rate declines more for persons in the white collar and the skilled blue collar occupations, and it declines less for those in the unskilled occupations. Each rise in the unemployment rate has started from a higher base for those who are unskilled than was true of the prior recession or upswing in unemployment. We need to take an honest look at our unemployment information and stop hiding behind a national average, cheering for a decline in an overall unemployment rate which masks ever higher unemployment rates for the unskilled.

In the overall economy, too, I see an unevenness in the prospective recovery. A major California bank predicts for 1976 a 26 percent upswing in after-tax corporate profits, but a drop at most, of only 1 percentage point in the unemployment rate.

What I see as our needs

The manpower programs have served a definite purpose in helping to equalize opportunities for the minority group poor and to help compensate to these for some of the disadvantages they have experienced. We have trained economically disadvantaged individuals to compete effectively for those jobs which do exist.

Manpower training programs, however, do not create employment. They have added no important number of persons to the employed labor force.

A contribution can be made toward better equality of employment opportunity if we can eliminate some obstacles to employment. Uncle Sam, of all employers, is permitted to discriminate against our new residents because non-citizens are not accepted for employment, regardless of skills, and even though the individuals may have acquired first citizenship papers. Last summer when we offered subsidized summer work for youths under Title III of CETA, one major federal establishment in San Francisco declined even to accept free services of non-citizen youths. This Committee can help to open employment opportunities for many hundreds of non-citizens who are legally entitled to work here, by initiating action in the Congress to remove present restrictions on federal employment of non-citizens.

Restrictions also are frequently found in the licensing requirements for jobs. To qualify, specific training must have been received in a training institution on a specific list. Those lists generally include institutions under reciprocal agreements with European or out-of-State training institutions; the listing, however, omits most institutions in Korea, Taiwan, South American and other areas. I realize that licensing requirements are in the hands of the States rather than the federal government; but it is not unknown for the federal government to use a "carrot and stick" technique to cause local legislation to be developed. We need to stop wasting the skilled manpower and training from the other American and Asian countries.

So far I have asked you for legislation which would benefit a special group among the unemployed. In my opinion it is important that job creation strategies be adopted as part of national policy. Those proposed here are not new with me, for I am simply restating what I have heard from others. Specifically, I suggest:

1. A "labor intensive tax credit" to provide positive tax incentives to industry for capital expansion which results in the direct and indirect creation of additional jobs in the United States.

2. A reduced or eliminated capital investment tax credit for plant or equipment that diminishes the labor intensive work force.

3. An effective disincentive on American firms, to tax capital expansion and capital investment practices which exclude American citizens and U.S. residents from job opportunities.

We in the Bay Area have in the last few years watched much of our electronic assembly work disappear: work which used to be performed on the Peninsula south of San Francisco is now done in Singapore. Recent examples from my staff's experience include: a Rockwell calculator which was hand-assembled in Mexico, though the parts were made here; a Walkie-Talkie which was assembled in Taiwan, with the parts fabricated by a company based in Kansas City.

What we are doing is performing the highly skilled jobs here, and exporting the labor-intensive jobs. And we need those labor-intensive jobs here.

It is important that our economic policies be designed to reward the offering of employment. Those policies could, as is done in some European countries, pro-

vide tax incentives for employment of those who are physically or mentally handicapped.

The economic power of this nation could be pledged to develop new industries, new facilities and new mechanisms known to be needed. We know, for example, that if a way can be found to use the garbage waste of the cities to produce energy, a whole new industry can be created which will provide employment and at the same time fit with the ecological needs of our country. Individual employers cannot provide the financial guarantees to develop such an industry; a pool can be financed as a private non-profit corporation with the backing of this nation. If we can bail out a railroad, or an over-committed aircraft company, we surely can do this.

In speaking of employment problems of the inner cities I present the problem of the public assistance recipient—not as a bleeding heart, but because I have watched our manpower programs achieve less than one-half the success in training and placing welfare recipients compared with serving other economically disadvantaged individuals. Somehow there must be real economic rewards for achieving economic self-sufficiency, rewards which do not now exist for the working poor.

The structure of our social services system makes it almost improvident for an individual to accept low-pay employment which removes that person from eligibility for publicly financed medical services, child care, and food stamps. The fear of delays involved in re-entering public assistance rolls in case the job does not work out or some emergency does occur is seen as simply too great a risk.

One of the things that has happened in the past 40 years has been the separation of those persons who are poor into two groups. One includes those considered to be the deserving poor, i.e. those drawing unemployment insurance (“which they have earned through their employment”) or other victims of cyclical unemployment. The second group I have heard called the undeserving poor. While there are other terms, these are the individuals receiving public assistance, and believed by many to constitute a burden on society while they decline to make a real effort toward finding employment.

We need to decide whether to provide real work, if necessary at public cost, for these persons, or to permit them to withdraw from the labor force without the denigrating labels now applied.

We have made no provision in this country to integrate young people leaving school into the labor force. We are raising an entire generation whose services are not needed or wanted and who stand little chance of moving into rewarded employment in the foreseeable future. For these young persons, and for other new entrants we could provide an Employment-Search Benefit similar to Supplemental Unemployment Assistance payments, to facilitate the job search and maintain the dignity of the individual, recognizing that there is a normal job-search transition period. More important, however, is our need to develop jobs which will seek out these new workers.

As a basis for economic planning for manpower, we need very badly to move to a five-year interval between census counts rather than the present 10 year period. With the changes that take place in the nature of our population and with our need for special knowledge of the employability problems of the economically disadvantaged, we are desperately in need of information we do not have. The Congress can help make the use of CETA money more effective also by extending the CPS samples to the extent they can provide a reliable data-base for labor force planning.

Comments related to the Mid-Year Review of Economy

In general I concur with recommendations of the majority in this report. Certainly, as a City representative, I agree that there is need for more aid to local governments, either through direct aid or by opening up new revenue sources which can be tapped. And mandated local contributions are constituting a severe burden on the cities. The need is not just for anti-recession action—we need this on a continuing basis.

I concur in the need for public service employment as a form of job creation to combat cyclical unemployment, and agree that this is more than just expansion of unemployment compensation. It is better, too, than too-heavy reliance on manpower training programs, which are directed to structural, rather than cyclical unemployment problems. We need the CETA Title II programs, however, to complement the Title I activities, and to provide a different kind of entry into employment.

The concept of the Emergency Jobs Program draws my support, with two exceptions: (1) federal determination of which projects are to be funded is not as acceptable as local determination which gives locally-responsible people the opportunity to evaluate program and potential contractors, and (2) a dollar ceiling of \$3.50 an hour would preclude almost all skilled and semi-skilled work, including that which is necessary as part of labor-intensive projects. I am concerned also that we not use the federally funded programs to break down the wage structure of our communities.

Senator Bentsen, in his minority report, proposes a tax credit for employers who increase their employment, and I concur. I would like this to provide an incentive differential for hiring in low skill levels.

Equal Opportunity and Full Employment Act of 1975

I am pleased to see the recognized need for local identification of need, and the assignment of responsibility to local Manpower Councils for planning; this should extend, as well, to the establishment of evaluation criteria. I am less happy, however, with the proposed community Job Boards, for the attempt to elect a body truly representative of all special interests would result in a Board which would fill an auditorium. I'd like to see this function held in the Manpower Council and the staff of the Prime Sponsor, which serves the Manpower Council.

Most Prime Sponsors, I believe, will resist the proposal to operate the Job Guarantee Office through the public employment service. It will be seen as an initial effort to coopt the manpower role under CETA for that agency. Here again, the operating authority needs to be responsible to the local electorate through its elected officials, rather than through the federal structure.

Finally, I see a duplication of roles between the National Institute for Full Employment and the National Commission for Manpower Policy.

Concluding statement

Thank you for giving me the opportunity to offer these comments which I present from a base of long experience in the manpower field, some investigation on the intellectual level, and a very genuine concern for the employment problems of this State.

Chairman HUMPHREY. Mr. Hahn, now, Mr. Supervisor, we surely look forward to your testimony.

STATEMENT OF KENNETH HAHN, COUNTY SUPERVISOR, LOS ANGELES COUNTY BOARD OF SUPERVISORS

Mr. HAHN. Thank you, Senator. First of all, informally, we are very pleased that you are here; and Congressman Hamilton from Indiana; and our own two Congressmen, John Rousselot and Gus Hawkins, from Los Angeles. We are delighted to see our local Congressmen, and those from Indiana and Minnesota. We have good weather for all four of you, because the county government is responsible, in a way, for air pollution. We proclaimed clear skies for the benefit of you and Congressman Hamilton. We just want to let you know.

First of all, I have prepared a written statement for you. And I am sure this committee will hear so many statistics, when you get through with everything, of unemployment percentages and costs, you will have to refine them when you get back to Washington. I don't want to bore you with a lot of statistics, but I think I have got some statistics here that will shock you:

As of Friday night, and these figures were handed to me while this committee opened, and I don't have them prepared for you, I took them down on the telephone—Friday night, in Los Angeles County, the Board of Supervisors administers the welfare program, and the justice system—the courts, juvenile hall, the crimes, 945,982 persons

on welfare in Los Angeles County. This breaks the all-time high record of Los Angeles County. In 1971 there were 928,376 persons on welfare.

Chairman HUMPHREY. What is your population?

Mr. HAHN. 7,200,000.

Chairman HUMPHREY. That is over 10 percent.

Mr. HAHN. Oh, yes.

Mr. Hawkins is probably the senior public official in California, serving our legislature and serving the Congress. He and I both represent the Watts area. But Congressman Hawkins, these figures I just received while we were sitting in this room—945,000—bigger than the whole city and county of San Francisco, bigger than some States in the Union, like South Dakota and Idaho.

Now, if this isn't a shocking figure to reveal at this committee hearing. Now, the U.S. Congress, I don't know what else you could hear to say that something is wrong. What it will be is a challenge to the Congress of the United States, but first of all to stimulate in the private sector, the private enterprise, to create jobs and get them off welfare. And then, to support the Humphrey-Hawkins bill, which the board of supervisors have endorsed. We have got two Republicans and three Democrats—a five-man member board. We endorsed your bill for full employment.

What a challenge to America did the free enterprise system say. We have got the best country in the world. Here we have so many people unemployed. You know, if this committee could also do this—sometime get the head of the U.S. Chamber of Commerce and all the big industries, in a room by themselves, and say, "Listen, the whole system is at stake."

You can't have this many people who are willing, able, and want to work. This big myth that people like to be on welfare is hogwash. I represent this district and I have represented this district for 29 years. It is the biggest myth in the country to say that everybody wants to be on welfare. They don't want to wait in line and be humiliated. There are some chiselers, but there are chiselers in huge banks, I found out down in San Diego. If you want a headline in the afternoon paper in tomorrow's papers, say you want to crack down on welfare chiselers. It will guarantee you a headline. It will work every so often if there is a need of a headline, throw that out. But I think the average family man wants to provide for his own.

John, you represent a conservative area, but you are a good American. I am sincere in this—you have that view—you have your point of view.—

Representative ROUSSELOT. It is in Baldwin Park, too.

Mr. HAHN. But I am saying this sincerely here. I think 99 percent of the people want to provide for their own; give them a good house, good school, good health. You can do it with a four letter word: J-O-B-S. Jobs.

I testified before the McCone commission after the Watts riot. Gus, and they said to me, "What do you think is the answer?" I said, "Four letters: J-O-B-S."

Chairman HUMPHREY. Probably we stopped at two.

Mr. HAHN. Well, I don't know if you even got to one.

Chairman HUMPHREY. I will explain it later.

Mr. HAHN. You are pretty good at that. No problem there.

But what am I saying, there is the underprivileged, the undernourished countries of the world. In our church lobby there is a little thing to help feed the world, to give to the world, they said there were 10,000 a day that die of starvation in the world. What a challenge to the free enterprise system to create jobs and materials for the world, for our own better education, better schools, better recreation. To have the abundant life, what is found in the New Testament, can be a meaningful experience for everyone. That is why, Mr. Hawkins, we supported your full employment bill. I suggested maybe a Federal full employment agency. You could call it that.

I have written much there but I just wanted to tell you that it is costing the taxpayers \$925 million for the welfare in this county alone, and \$200 million to administrate it. It runs over \$1 billion if you want to contemplate the total cost. It cost the county board of supervisors, who have to tax the people, to administrate the welfare, \$200 million. We could reduce our property tax rate 25 percent.

Now if this isn't a stupid thing to have so much unemployment, to tax the people to administrate welfare, when we need jobs, and to make a helpful citizen, we would reduce our crime, we could have better health, better housing. All with jobs. I am not going to read any more statements. I just thought I would give you these horrible statistics this morning, that are the worst that the county has ever had in its history.

One thing—I am talking now without any statistics before me. Senator Humphrey, I announced to the board of supervisors in session last Thursday morning, in the board of supervisors room, the report on crime. Los Angeles County also had the worst record on murders last year, 1,015 persons were murdered in Los Angeles County. That includes the 78 cities that are in Los Angeles County. We had over 115,000 homes that were broken into and burglarized. Murders—I remember the day when we had 365 murders in the county and I said that was the worst thing in the world to announce that we had a murder a day in Los Angeles County.

Now, you have a lot of crime coming from unemployment and poverty. I think on the whole philosophy of law and order, making our streets safe, our homes safe, and I support that, is to also give some alternatives by good jobs. Our schools have got to reevaluate their curriculum. Let me tell you, I am not satisfied with the performance of our public schools. They are going through the system but we are not educating them. They are graduating them but they don't have a skill to get a job. And perhaps this committee, if not in this county, in some other counties, have the superintendent of schools in here and say, "What are you doing? You get a tremendous amount of money from the taxpayers, what are you producing in your public schools?" I think we have to reevaluate our curriculum to see that it meets the criteria of the present age. What are we teaching? What are we performing?

We shouldn't be afraid to say that everybody should learn to read and write, because they can't get a job in industry if they can't read a manual to turn a lathe to the right or to the left or one one-hundredths of an inch. We have some excellent, excellent people as individuals, and then they can't get a job. They might be skilled with their hands,

to be a lathe operator or a machinist, or a skilled laborer. And you get a new device and he picks up the manual on how to operate it and he can't even read it.

You know it is a shocking thing to have that even when they graduate, come from our public school system, to be called illiterate. There was a case recently filed in our traffic court.

And then I conclude, because I could give you statistics. The witness, defended by the public defender, found out that he couldn't read. Couldn't read the manuals. Couldn't read the signs. He got a graduate certificate from the public school system. We are pushing people through the school system for group peer—you know, don't upset Johnny if he can't read, graduate him. Then they are put into a remedial reading class when they are 16 and 17 and they become drop-outs because they know they are in the dummy class.

The last statistics I had from county superintendent of schools—10 students that enter in the sixth grade, or finished the sixth grade. Six will graduate in the 12th grade; four will drop out. In a free public education system, where schools are within walking distance. They are not walking 5 miles in the snow in Minnesota, to go to school here.

Chairman HUMPHREY. Now, Mr. Hahn, let's just kind of keep that down. That was just the fallout from what happened in Montana.

Mr. HAHN. Here we have fine schools nearby in the neighborhood but we are having a fantastic dropout because the schools are not meaningful. Assume that when the boy or girl is 15, 16, 17, 18 years old and he is in a third grade reading class, he will drop out. That is when he will drop out. I think we have got to reevaluate our curriculum and get the schools, the private sector, and the Government to work together.

Thank you, Mr. Chairman, for coming to Los Angeles, Congressman Hamilton for being here. It is good to see you again, Mr. Hawkins and John.

[The prepared statement of Mr. Hahn follows:]

PREPARED STATEMENT OF KENNETH HAHN

Let me thank you for the opportunity to give you my thoughts on what I consider to be our most critical domestic problem—the need for more jobs. Let me also compliment you on coming to the urban areas in search of answers.

I believe hearings such as this are a significant step toward developing better employment strategies for our country. I urge you to take the information gathered in your hearings back to Washington and push for the Administration and Congress to place this issue on the top of the domestic priority list for 1976.

Because of the programs we administer and our closeness to the people, we are very sensitive to the impact of unemployment on our community.

As demonstrated across the country, welfare rolls tend to rise as unemployment lines grow during a recession. It should be noted that many other factors significantly impact welfare programs including, of course, changes in laws on program eligibility. On the other hand, there are many other persons on the welfare rolls who are employable but, because they have limited prior work history, they are not counted in the unemployment figures. As a result, the precise impact of unemployment on welfare cannot be given.

However, our research is conclusive enough to convince us that with a better employment strategy we could not only reduce unemployment payment needs, but also substantially reduce the welfare program needs.

Specifically, estimates indicate that from thirty to fifty percent of the heads of our welfare families are potentially employable. We, therefore, see any efforts in this area resulting in a joint employment/welfare reform program.

Our ideas on the reform package that will be necessary cover areas from basic education to international trade. Because we believe a new employment strategy should be our number one priority in 1976, and the responsibility for such work is now divided among a number of Federal agencies, we believe as a start what might be called a "Federal Full Employment Agency" should be created.

It would draw its staff from those experts scattered among the various Federal agencies that now have as part of their responsibilities this work. It would have the responsibility to recommend to the President and Congress a comprehensive employment strategy that would substitute jobs for unemployment and welfare benefits for all able-bodied citizens.

Once such a program is adopted, this agency would be responsible for its implementation, again drawing on existing resources in the various agencies now separately working with such matters.

First and foremost we must do everything possible to create more jobs in the private sector. One key aspect of developing jobs in the private sector is to expand our products in the world market. There are hundreds of millions of people in the underdeveloped countries who could benefit from our technology. The need for new or modified versions of existing products might well exist to a greater extent than now realized. Examples might include super utilitarian motor vehicles and motorized farm equipment. A "think tank" team might well come up with many such ideas and their development might be encouraged by research subsidies or tax incentives.

On the domestic scene similar efforts might be possible in resource recycling efforts, energy conservation, and the speed up of research on new products.

A second phase of job development would be in the area of accelerating the purchase of various needed public projects. Examples in Los Angeles might include: a rapid transit system; the development of literally thousands of acres in Angeles National Forest into usable recreational areas; a city beautification street tree planting project; and the development of more neighborhood parks and playgrounds (this might well entail cooperation with educational authorities for joint use and expansion of existing school facilities).

As a last phase of employment development, a pool of jobs should be developed under what might be called an Urban Civil Conservation Corps. This would provide that all able-bodied persons could always be offered a job and a pay check in lieu of welfare or other subsidies. This program would be administered solely by an employment department rather than the current duplicate unemployment office/welfare department operations.

Tied to the above job development efforts must be a continued strengthening of our education system to provide high quality and practical educations. The current trends in some school systems on emphasizing consumer and job related education must be encouraged and accelerated.

These suggestions are consistent with the Humphrey-Hawkins bill on full employment, which has been endorsed by the Board of Supervisors, and the Humphrey-Javits Balanced Growth and Economic Planning Bill, which can easily be supported by the country.

America is a very strong nation. Our current economic crisis can be resolved both on a short term and permanent basis. The resolution should come through as an employment guarantee for all able-bodied Americans.

The 200th anniversary of our nation's independence is a most appropriate time for Congress and the Administration to place a new employment strategy at the top of our domestic programs.

Our citizens and their families deserve such a program.

Far-ranging efforts can be developed, even to include a corps of handymen and women to make minor repairs to homes, such as to fix faucets and roofs, which would be in the interest of conserving energy, and to even do minor landscaping.

The challenge of the free enterprise system and the American government is to develop a partnership so every person who is willing, able and ready to work can have a job. Not just to rake leaves, but to have jobs in essential public works, fire protection and special care areas.

It would be good for someone to be qualified on every block to give first aid, another person to be a security officer for protection and a third to coordinate a recreation program.

Women at home can be trained to be homekeepers to care for the sick and elderly rather than having such persons sent to county institutions.

Americans have the guarantee of life, liberty and the pursuit of happiness. Our cities should be a place of enjoyment, of culture, of good recreation and of safety, not substandard areas with high crime and fear in the streets.

Chairman HUMPHREY. Thank you, Mr. Hahn, it is an excellent testimony and I say it is shocking, and maybe because of that, very helpful.

Mr. Henning, we welcome you from the AFL-CIO California Labor Federation.

STATEMENT OF JOHN F. HENNING, EXECUTIVE SECRETARY-TREASURER, CALIFORNIA LABOR FEDERATION, AFL-CIO

Mr. HENNING. Senator Humphrey, Congressman Rousselot, Congressman Hamilton, Congressman Hawkins, the AFL-CIO state organization appreciates the opportunity of having its views expressed here. Our federation represents 1,700,000 AFL-CIO members in the State of California. And I will present our oral statement.

Chairman HUMPHREY. If you witnesses summarize, your prepared statements will be printed in their entirety in the record. And then your oral statement will be used as explanation for the statement in the record.

Mr. HENNING. The worst recession since the years of the Great Depression has victimized millions of Americans who have found themselves prisoners of the disastrous economic and social policies emerging from Washington. The tragedies of unemployment, inflation and personal bankruptcy have been the inevitable result of the economic policies of the Nixon and Ford administrations.

Early last year, the word came from the White House that all was well. We were virtually told that prosperity was just around the corner. The truth is that in December 1975, the total unemployment nationally was 18 percent above the level of December 1974. Now, if you will recall the press statements of last week, the White House, with almost exultation, noted that the percentage of unemployed had not increased between December and November. Actually, that percentage of 8.3 is the highest in the industrialized world. We are not so much interested in percentages as we are, of course, as a reflection of the human tragedy.

What we are more concerned with is the number of unemployed. It is the people who count and, far from having relief in the present crisis, again the percentage of the number of unemployed percentage-wise keeps rising. California unemployment was 16 percent above that of the previous year. That is in December of 1975 over 1974. In December 1975, there were 7.8 million workers unemployed in the United States and 3.8 million workers employed only on a part-time basis. In December of 1975, there were 890,000 workers unemployed in California.

Now Mayor Bradley and others have touched on how the agony falls in particular ways on the minority peoples. That is true in California as nationally. Nationally, the black rate of unemployment, or nonwhite to be more specific, runs well above the overall average, running about 14 percent, building trades workers running about 19 percent, youth about 21 percent.

We would agree with Kenny Hahn on the need for realistic training in schools. But there is a sobering fact involved. We favor that, but to what purpose is it, when the unemployment rate among youth is 21 percent, among nonwhite youth, 34 percent. In other words, we encourage more realistic training in the secondary schools especially: We are training for jobs that don't exist. It is a futile exercise until we get a viable economy.

I couldn't help but note that Ken Hahn was mentioning the number of those in Los Angeles County who can't read. He has been in office for 29 years. Kenny, I think they may not be able to read, but they can vote right.

Mr. HAHN. Well, they know how to use that ballot.

Chairman HUMPHREY. [Inaudible.]

Mr. HAHN. I didn't mean all of them Jack. I just used some illustrations that come to me. The schools have got to do a better job.

Mr. HENNING. They do. The national unemployment rate was 8.3 for December 1975, the same as in the previous month. The State unemployment rate for December was 9.8 percent, down from 10.3 in November. We have been advised to resign ourselves to the reality of continuing high unemployment in the richest Nation in history.

The White House tells us that we must accept an unemployment rate of 7.9 percent throughout 1976. And, as you know, their projections for the succeeding years are equally dismal. As I indicated earlier, we are still dealing with the highest unemployment rate in the industrialized world.

We have been living with the tragedy of an approximate 8 million unemployed, month after month, nationally and an approximate 1 million unemployed in California month after month. We are tired of it.

It is our position that the government has to provide jobs when the private enterprize system proves itself unable to do so. Now we are not ready to exchange our system for one that would give all the powers of production and distribution, exchange to government. We say that presents a power before which no trade unionist or trade union, before which no citizen could stand in any form of dissent. But, on the other hand, we say this. Our system provides full employment only in times of war. And we think that that is too high a price for a civilized people to pay for a functioning economy.

This problem is in one of its worst expressions now, but it has been a continuing problem over the years. It is simply a question of anticipating when cruel unemployment will come, but we know it will come. We have had two recessions in the past 8 years and we can go back, 1958, 1954, 1960. It is simply a question again, of anticipating when the recession strikes. But we never have been able to get to full employment until the engines of war begin to roll.

Certainly union members in our major industrial centers in California know what unemployment is like. In San Francisco in December 1975, the unemployment rate was 9.8 percent. That is—

Ms. ELTON. That is the five county bay area.

Mr. HENNING. Yes, and that is apparently down a little from November. In Los Angeles, 9.6 percent. In San Diego, 10.8 percent. In the Riverside-San Bernardino-Ontario area, 11.9 percent.

Job opportunities in California have not only failed to grow sufficiently to even begin to approach full employment, but have declined in absolute numbers during the past years. The national administration's rationale is that high unemployment is essential to the control of inflation. They keep repeating what we say out here. That is like telling a man who is in the critical stages of emphysema that the cure is cancer of the lungs. We are against both of these ailments and one is not substitution of unemployment for inflation isn't going to help the body of American people. And furthermore, it doesn't work.

The cost of fuel, food and interest rates, for example, are stealing worker dollars and bring new and frightening bankruptcies to American industry. If we want growth sufficient to serve our economic and social necessities, we must at once reject the ruinous policies of economic containment espoused by the national administration.

We must have fiscal and monetary policies of expansion rather than of restriction. The first step to fiscal maturity must be that of bringing the country to the threshold of full employment. In a practical sense, fiscal stability will come only when tax users become taxpayers. There is no way of escaping the obligations now falling on the economy for the care of those in need because of the ravages of unemployment, except by liberalized fiscal policies. Now the national AFL-CIO, we have supported them and I know the great body of thoughtful Congressmen have espoused programs calling first of all for the release of \$12 billion in public works programs. Still impounded, the President did release about 7 billion that were voted, incidentally, in the Nixon administration. He released about 7 billion for highways, but there is \$12 billion that could be given to this sick economic system for public works transfusion.

We want public service employment. The President unfortunately vetoed the efforts that Congress had enacted in that regard. We get the arguments always of fiscal responsibility, but as indicated earlier, there is no escape because if the government does not provide the jobs when the private system proves itself unable to do so, then the welfare cost, all the supporting cost of the unemployed mount.

In 1975, for example, \$31 billion were spent for budget outlays for unemployment benefits and other expenses directly related to low incomes and joblessness resulting from the recession. So the supporting costs for this failing of the present policies are climbing. They are up \$31 billion in 1975. That is up from \$20 billion in fiscal 1974, up from \$14.3 billion in fiscal 1973.

Now we were all startled a bit out here by the surface information, at any rate, that Secretary Simon is talking about the elimination of all tax deductions. We don't know how serious Secretary Simon is about this, because at the time of the tax reduction debates in early 1975, he was for tax relief going only to middle- and upper-income people on the theory that lower income people, even if they were given tax reduction, couldn't produce enough of what he called the hard goods to get the economy moving, a calloused, cynical view, certainly and we said at the time, an immoral view. But he has now called for the elimination of tax deductions. Well, a good beginning would be on loophole eliminations which could bring \$20 billion in increased revenue to the Federal Government.

Now when President Ford was entering the debates on the tax reduction proposals in 1975, indeed at the time he signed the bill, he referred to the \$61 million deficit and he said this far we go and no farther. But if you will recall, at that time he never said a word about this far we go and no further with respect to the unemployed of the Nation. The number at that time was already catastrophically high. It is a question of philosophy and political morality—economic sense.

The monetary crisis is equally destructive. We call for the immediate abolition of the tight money concepts that have, for example, made a disaster area of the construction industry and frustrated land and commercial development all across America. Certainly we must have credit relief here and now for socially important projects in the sphere of health, where we trail virtually every advanced nation in longevity for men and women and the tragedy of infant mortality. The richest of nations in these three categories fails to keep pace with all of the nations of the Old World and the—that have lower rates of infant mortality, have longer rates of longevity for men and for women. So our health system is not working.

It is ironic, the American economy demands the transfusion of money availability. It is ironic that the advocates of creative capitalism should be strangling their own cause with that of the worker-consumer public. We submit that the first duty of Washington is to put America back to work and that fiscal and monetary policies must serve that purpose as a matter of economic vitality and social survival. There isn't any nation in the world today, any industrialized nation that can long survive continued mass unemployment without social protest, inevitably at some point reach the perimeters of violence and the dissolution of orderly Government. So there is not only an economic stake involved here, there is the stability of society itself. And those who have the wealth of the Nation, those who control the economic destinies of the nation and the industrial powers of this Nation should look abroad, if they have any illusions about how long the masses of the people of any industrialized nation will suffer joblessness.

So much for the immediate present, but we need more than crisis planning. The California Labor Federation therefore submits the following action plan in terms of long-term solution.

First, Congress should require the President annually to submit to it goals, policies, and programs to achieve full employment. Once again, we protest the President's sense of moral outrage over the \$61 billion deficit which he says must go no higher. We are waiting for him to say that unemployment shall be no higher than 3 percent and to say it, with the same sense of moral indignation.

Second, the President should be required to propose specific Federal tax, expenditure, budget, and monetary policies and programs to meet the goals he proposes for full employment, balanced economic growth, and national needs.

Third, Congress should establish a consultative body comprised of major groups in the economy to review the President's goals and policies. The Council of Economic Advisers is after all, a political instrument and the consultative body might be partly that but I think it could be more broadly objective.

Fourth, Congress should provide procedures for prompt congressional review and action on the President's economic goals and policies.

Fifth, the Federal Reserve Board as a key Government agency in economic areas should be required to justify to the President and the Congress the manner in which its policies concerning interest rates, money supply, and the availability of credit will help meet the goals and the objectives of national policy and among those national policies, we give priority, of course, to full employment. We trust that Congress will assume the responsibility for working toward a full employment economy. No need to repeat what others have said here, that we can trace the tragedy of the ghettos, social crime in effect, to the fact that this economic system just doesn't work as it should and it is up to the Congress and the administration to provide the remedies that will make it a functioning economy.

Chairman HUMPHREY. Thank you, very much, Mr. Henning.

Now, our next witness is Donald Vial, the director of the California Department of Industrial Relations.

STATEMENT OF DONALD VIAL, DIRECTOR, CALIFORNIA DEPARTMENT OF INDUSTRIAL RELATIONS

Mr. VIAL. Thank you, Mr. Chairman, and members of the committee.

Without repeating any of the observations that have been made thus far, I would like to focus my attention on some of the essential ingredients of public—of Federal policy that will enhance the potential role of State government in promoting full employment.

Those of us in the Governor Brown administration who share some responsibility for administering recession-sensitive programs, cannot escape the reality of the present economic situation's impact on working people, and I will supply the committee with a number of tables indicating the nature of that impact, but it has been amply stated here this morning. Even more upsetting than the outlook for levels of unemployment above 5 percent for years to come is the harshness of the uneven distribution of employment. Unemployment that has been described here this morning so articulately.

What the average rate of unemployment hides, I think you all know that States must confront in competing demands for public programs within the confines of balanced budgets, recession diminished revenues, and a capacity to borrow for job creation purposes, which is not only limited, but very much influenced by Federal monetary and fiscal policies. In the context of a rather bleak economic outlook, and I don't discount the possibility of an aborted recession, aborted recovery, there is growing interest in what the State, a State the size of California can do for itself. Governor Brown the other day has provided an honest answer. Until the Federal Government intervenes more forcefully in the economy to restore full employment, it is a matter of highest priority, California is left, I quote, "to fighting a rear guard action." We simply do not have the fiscal or monetary tools to turn unemployment around this State.

The key to what the State can strive to do for itself economically is what the State can expect out of Washington in the way of economic policies and implementing programs which confront both the new

realities, of natural resource constraints and the long continuing reality of underemployed human and capital resources. Despite a long-standing statutory commitment in this State to promote full employment, the State's economic policy role is very likely to remain underdeveloped for the very reason that a policy vacuum exists in Washington in dealing with the Nation's commitment to full employment under the Employment Act of 1946.

Now your midyear report, the projections of the Congressional Budget Office in numerous proposals advanced before this committee, are clear indications that the Nation doesn't lack for policy alternatives to put America back to work. What is lacking is consensus for action, that can move the Nation beyond the unacceptable proposition that the unemployed must pay for the price stability of the rest of us.

Fears of so-called reflation, real or imaginary, should not be allowed to rob us of our economic potential for meeting desperate human needs. And I want to emphasize this in terms of the distribution of income in this society. With the upper 20 percent of the population in possession of more income than the bottom 60 percent, income distribution demands the attention of economic policymakers. Our private markets are responsive to money income and not necessarily to needs. The prospect of relying on market mechanisms to bring about far-reaching adjustments in consumption patterns occasioned by mounting resource constraints, as in the case of oil, are greatly diminished by the discriminatory impact of such market adjustments on the poor. Income redistribution is becoming increasingly critical, in my opinion, to the survival of our private market system. And the point I want to make is that the most effective proven way of achieving redistribution of income is by operating over long periods at tight, full employment.

Now inflationary pressures cannot be brushed aside. I would remind you that in the short run an abortive recovery in the name of fighting inflation translates into abortive productivity increases urgently needed at this time to offset—wage increases. In the long run, of course, there are even more difficult problems. We don't like to face, and certainly it is a grim idea, to face the necessity of prices and income policy. I am certainly not advocating that, but if they are to have a role, it must be in the context of some delivery system in this country for delivering on full employment. Certainly the experience of the labor movement would indicate that they would not accept anything less. And I think the only way that we can get this kind of delivery system is by moving in a direction of the Humphrey-Javits balanced growth and economic planning bill and the Humphrey-Hawkins equal opportunity and employment bill. Now they move in a direction of providing the delivery system for full employment that could be the undermining of so-called social compacts that may be a possibility in the future. But that of course is speculation.

The pursuit of full employment policies, this is my fourth major point, the pursuit of full employment policies must also come to grips with public and private sector relationships in the context of national priorities. It has been pointed out blind fear of deficits that are largely the result of operating the economy at far below the potential is rapidly becoming the basis for starving not only the public sector, but denying us the needed stimulus to the private sector.

The struggle to overcome these fears, these irrational fears is pushing priority issues further into the background and as a consequence, we may be rapidly reaching the point where questions of what kind of stimulus and for whom may be important, as how much. Tax cuts advanced to bolster purchasing power and investments also need to be viewed in terms of their effect on the allocation of resources to the operation of private markets.

And we all know the dominated private markets, dominated product markets are very poor allocators of resources in addition to being major sources of inflationary pressures. In this connection, Martin Glick, the director of department of employment and development in this State, has advanced the national work program designed to create job opportunities in the private sector geared specifically to priorities in housing, community development, transportation, energy development and other specific labor intensive industries. And his proposals, I want to emphasize this, reflect a State administrative perspective in confronting the new economic realities and reordered priorities. The direction of economic stimulus is as important as the amount of stimulus. This is also to emphasize that the way federally stimulated demand comes into the State of California is critical to the potential role of State economic policy in dealing with our own priorities and our manpower policy objectives. Now I think these observations in turn, highlight the importance of full employment policies and strategy focusing on what full employment should actually look like in this country. Those with an eye to the changes and the kinds of changes in the product mix of the Nation that may be required by new constraints on growth or required to realize priority objectives.

It is critically important that expansionary policies pursued at this time to employ our underutilized labor and capital resources do so in a way that facilitates, not exacerbates, the difficult adjustment of consumers, labor and industry that may lie ahead. This new awareness of our constraints may presage an era of more rapid change in what constitutes the mix of products and services in this economy. The point here is that the pain and cost burden of adjustments to those changes can be mitigated or at least partially absorbed in the process of moving the economy closer to full employment and reemploying our underutilized labor and capital resources, but the onus is on committees such as this to begin, as economists say, disaggregating macroeconomic policies in a way required to achieve full employment. More attention needs to be given to what is the impact of monetary and fiscal policies on specific decisions by industry. And I would especially emphasize this as I have in my printed testimony, "A Close Look at Investment Tax Credits," for their specific impact also. These considerations—

Chairman HUMPHREY. Do you recall the old certificates of the necessity that were once used to stimulate—you are a very young man, you maybe don't recall them. Back in about the late—

Mr. VIAL. Thank you, I am not that young, but I do recall—

Chairman HUMPHREY. The early 1950's there used to be what we called certificates of necessity, where you get special tax writeoffs, get special rapid depreciation and tax credits and so forth.

Mr. VIAL. These considerations underscored the vital importance of being able to achieve the kind of consensus that is required to target

and disaggregate macropolicies. The obvious need is for policy vehicles which move the Nation beyond the kind of trade-off between blunderbuss or no action that too often dominate economic policy decisions today. And I might add, I hope you will consider that Federal efforts at targeting expansionary policies, and this for the reason of reaching a meeting of national priorities, might allow the States more room for experimenting in the refinement of national consensus, the absence of which might otherwise block the targeting of our efforts and more blunderbuss approaches.

My final point that I want to make in the same vein is the pursuit of full employment policies requires a sharper focus on the composition of unemployment, as has been emphasized here this morning, and on specific employment rates to be reduced as well as on the reduction of the average jobless rate to an acceptable level. Here again, the so-called disaggregation of monetary and fiscal policies would inevitably make more room for development of the role of State economic policy, particularly in the area of manpower programs.

The targeting of job creation to unemployed groups, however, raises many important questions about emergency job programs and particularly about the role of public service employment. Emergency job programs in the wrong context, and I want to emphasize in the wrong context, and specifically in the absence of expansionary policies aimed at utilizing underemployed resources to achieve a reordering of priorities can become vehicles for substituting deadend lower paid jobs for higher paid jobs being lost in a sluggish economy operating at below capacity.

Certainly some of the proposals of Mr. Burns fall in this category, but I also urge you to look carefully at your emergency jobs program, to make sure that it doesn't fall in that category also. Now likewise public service employment advanced as a substitute for more traditional income maintenance programs in an antirecession context is fraught with similar problems. PSE has an important role in a full employment strategy, but as our State EDD director has pointed out, and I quote, "Expanded public service employment as a solution to unemployment is a last resort in the truest sense of the phrase, 'last resort'."

Equally important, PSE which has an antirecession focus, must be clearly distinguished from PSE as in title 2 of SEATA, which has an antipoverty purpose with built-in transitional provisions for upward mobility. The latter, even in good times, is vital to achieving some of our major SEATA goals.

Chairman HUMPHREY. I think we understand that differentiation there, yes.

Mr. VIAL. And you have emphasized that in your mid-year report. I will conclude on this note, since the manpower policy is perhaps the main area in which States like California can begin to develop their own economic policy roles, Congress would do well to reexamine the extent to which new approaches to targeting job creation efforts could bring about greater experimentation at the State level. Now within the framework of a national delivery system for tight full employment, such experimentation at the State level might embrace some of the active manpower approaches of the Swedes, which would lend themselves to Federal-State implementation in the United States.

These would include private sector alternatives to antirecession oriented PSE programs which maintain private employment without the possible substitution of lower paid jobs for higher paid jobs.

From a State perspective, however, the realization of a higher level of economic policy relationship with the Federal Government, between the Federal Government and the State must rest in the final analysis on finding the ways and means of providing the States with greater access to discretionary funds made available to implement national full employment objectives. General revenue sharing as currently being implemented, without links to more effective Federal intervention in the economy is not responsive to this requirement.

Moreover, labor and the minority communities are rightly concerned that without linkages to national full employment objectives and priorities, general revenue sharing can be terribly reactionary in its outcome, especially in the context of current national administration policies to shrink the public sector without compensating actions to make the private sector more responsive to the upward mobility of those hanging on to the lower rungs of the Nation's economic ladder. Thank you, Mr. Chairman.

[The prepared statement of Mr. Vial, along with the article by Mr. Glick, follow:]

PREPARED STATEMENT OF DONALD VIAL

1. Those of us in state government who share some responsibility for administering recession-sensitive programs and services cannot escape the reality of the present economic situation's impact on working people. (Reference to tables depicting current unemployment rates in California, differential rates between California and U.S. historically, changes in the structure of employment in the state in recent years, and characteristics of the unemployed covered by unemployment insurance.)

Even with the adoption of the expansionary recommendations contained in the JEC's midyear review of the economy, including the emergency jobs program, recovery would be slow and unemployment would remain above five percent for years to come.

More depressing is the harshness of the uneven distribution of unemployment among our youth, minorities, and those who function in so-called unprotected or secondary labor markets characterized by low wages, rapid turnover rates, and frequent unemployment spells even in good times. What the average rate of unemployment hides, the states must confront in competing demands for public programs and services within the confines of balanced budgets, lagging or recession-diminished revenues, and a capacity to borrow (for job-creating purposes) which is not only limited, but very much influenced by fiscal and monetary policies of the federal government.

2. In the context of a rather bleak economic outlook—including the very real possibility of an aborted recovery—there is growing interest in what a state the size of California can do to help itself. Governor Brown has provided an honest answer: Until the federal government intervenes more forcefully in the economy to restore full-employment as a matter of highest priority, California is left to "fighting a rearguard action."

California can move only with the national economy. Obviously, it does not have the fiscal and monetary tools of the federal government to turn itself around.

The key to what the state can strive to do for itself economically, in truth, is what the state can expect out of Washington by way of economic policies and implementing programs which confront both the new realities of natural resource limits and the old realities of underemployed human and capital resources. Under accommodating national economic policies, there is much that the state might be able to do to affect the outcome of manpower policies to improve the operation of labor markets, to reconcile the necessity of a healthy business climate and economic growth with environmental constraints, and to influence allocational decisions which will bear heavily on our ability to pursue priorities with balance and a sober sense of what is achievable.

Despite a long-standing statutory commitment to promote full employment, the state's economic policy role is very likely to remain underdeveloped for the very reason that a policy vacuum exists in Washington in dealing with the nation's commitment to full employment under the Employment Act of 1946. From a state perspective there are a number of considerations which should be given immediate attention in filling the vacuum.

3. The JEC's midyear report, the projections of the Congressional Budget Office, and the numerous job-creating proposals advanced before the Committee are clear indications that the nation does not lack for policy alternatives to put America back to work. What is lacking is a consensus for action that can move the nation beyond the unacceptable proposition that the unemployed must pay for an acceptable level of price stability for the rest of the nation. Fears of so-called reflation—real or imaginary—should not be allowed to rob us of our economic potential for meeting human needs and advancing the conditions of life for the millions that continue to live in the shadows of apparent abundance.

With the upper twenty percent of the population in possession of more income than the bottom sixty percent, income distribution demands the attention of economic policy makers. Our private markets are responsive to money income, and not necessarily to needs. The prospects of relying on market mechanisms to bring about far-reaching adjustments in consumption patterns occasioned by mounting resource constraints (as in the case of oil) are greatly diminished by the discriminatory impact of such market adjustments on the poor. Income redistribution is becoming increasingly critical to the survival of our private market system. The most effective proven way of achieving redistribution of income is by operating over long periods at tight full employment.

Inflationary pressures cannot be brushed aside, but they should be confronted directly rather than at the expense of the unemployed whose "non-inflation" tax is often 100% of income. In the short run we would do well to remember that an aborted recovery in the name of fighting inflation translates into aborted productivity increases urgently needed at this time to offset "catch-up" wage increases.

In the long run, short of structural changes in the economy aimed at reducing corporate power to administer prices, continuing inflationary pressures may make it impossible to avoid serious consideration of prices and incomes policy, as distasteful as this idea remains. The experience with controls under the Nixon Administration, however, presents serious problems for labor. Price and incomes policy in the context of "social compacts" may be on the horizon, but without some assurances that there can be "delivery" on the compacts, labor can hardly be expected to be interested. In this connection, the Humphrey-Javits Balanced Growth and Economic Planning bill and the Hawkins-Humphrey Equal Opportunity and Full Employment bill move in the direction of providing the delivery system for full employment that could be the underpinning of social compacts.

4. The pursuit of full employment policies must come to grips with public and private sector relationships in the context of national priorities. Blind fear of deficits that are largely the result of under-utilized labor and capital resources in a sluggish economy operating far below potential is rapidly becoming the basis for starving the public sector and denying needed stimulus to the private sector. The struggle to overcome these fears appears to be pushing priority issues further into the background. We may be rapidly reaching the point where questions of what kind of stimulus, and for whom, may be more important than how much.

Tax cuts advanced to bolster purchasing power and investments also need to be viewed in terms of their effect on the allocation of resources through the operation of private markets. In addition to tax equity issues, expenditure alternatives should be considered for purposes of targeting to achieve priority objectives.

Dominated product markets, of which there are many, are poor allocators of resources in addition to being major sources of inflationary pressures. It is wise to bolster spending in private markets through tax cuts which might lead to expansion in low priority directions when the same economic stimulus could be achieved through expenditure programs which stimulate private enterprise in higher priority directions? Was it wise in 1971 on the eve of the first oil crisis, for example, to enact tax cuts oriented toward business investments which stimulated the production of guzzlers instead of investments in transit technology and transit systems?

I include an article by Martin R. Glick, Director of the Employment Development Department in California, advancing a national work program designed to create job opportunities in the private sector geared to priorities in housing, community development, transportation, energy development and other specific labor-insensitive industries. His proposal reflects a state administration perspective that, in confronting the new economic realities and reordering priorities, the direction of economic stimulus is as important as the amount of economic stimulus. This is also to emphasize that the way federally stimulated demand comes into California is critical to the potential role of state economic policy in dealing with our own priorities and manpower policy objectives.

5. These observations, in turn, highlight the importance of full employment policies and strategies focusing on what full employment should look like, both with an eye to changes in the product-mix of the nation that may be required by new constraints on growth or required to realize priority objectives. It is critically important that expansionary policies pursued at this time seek to employ underutilized labor and capital resources in ways that facilitate—not exacerbate—the difficult adjustments for consumers, labor, and industry that may lie ahead.

Our new awareness, nationally and internationally, of the necessity to develop and utilize energy resources less wastefully and to advance the level of environmental and land-use considerations in growth decisions presages an era of more rapid change than in the past in the product-mix of the economy. Governor Brown speaks of these changes in terms of lowering expectations as we face up to the adjustments in consumption patterns.

In economic terms overall, it may well be the case, for example, that job-creating investments for pollution abatement and energy conservation will require more rather than less units of labor and capital for a given level of production of conventional goods. The distribution of both the cost of such investments and the burden of adjusting to the resultant change in product-mix (for instance, more clean air and better health relative to conventional goods) can be most painful, especially for workers whose jobs are displaced in the face of new growth and for low- and moderate-income families with little or no discretionary income to cope with private market adjustments.

The point here is that the pain and cost burdens can be mitigated or partially absorbed in the process of moving the economy closer to full potential and re-employing underutilized labor and capital resources. The onus is on disaggregation of macro-economic policies required to achieve full employment. More attention needs to be given to the micro-economic impact on industry of monetary and fiscal policies.

By way of example, across-the-board investment tax credits that may stimulate needed investments and jobs, unless targeted more specifically for desired investment impact, can have the undesired side-effect of magnifying clearly identifiable adjustment problems on the horizon.

These considerations underscore the vital importance of being able to achieve the kind of consensus required to target and disaggregate macro-policies. The obvious need is for policy vehicles which move the nation beyond the kind of trade-off between blunderbuss or no action that too often dominates economic policy decisions today. It might be worthy of consideration that federal efforts at targeting expansionary policies (for national priorities and related economic adjustments to new constraints) allow the states more room for experimentation in the refinement of national consensus, the absence of which might otherwise block targeting and result in more blunderbuss approaches.

6. In the same vein, the pursuit of full employment policies requires a sharper focus on the composition of unemployment and on the specific unemployment rates to be reduced, as well as on the reduction of the average jobless rate to acceptable levels. Again, the need is to disaggregate fiscal and monetary policies for the purpose of targeting job-creation efforts, bearing in mind potential bottleneck problems to be obviated in the operation of labor markets. A disaggregated thrust to monetary and fiscal policies would inevitably make more room for development of the role of state economic policy, particularly in the area of manpower programs.

The targeting of job creation to unemployed groups—whether they be minorities, youths, construction workers, or others—raises many important questions about emergency job programs and particularly about the role of public service employment in relation to manpower policy under the Comprehensive Training and Employment Act (CETA).

Emergency job programs in the wrong context, and specifically in the absence of expansionary policies aimed at utilizing underemployed resources to achieve a reordering of priorities, can become vehicles for substituting dead-end, lower paid jobs for higher paid jobs being lost in a sluggish economy operating at far below capacity. Certainly, some of Mr. Burns' proposals fall in this category. But the emergency jobs program advanced in the JEC's midyear report comes close to temporizing with the same outcome, even though the projects to be undertaken are in areas of great public and social need and provision would be made for limited participation of private businesses along with local or state governments, nonprofit organizations, and federal agencies.

Likewise, public service employment (PSE) advanced as a substitute for more traditional income-maintenance programs in an anti-recession context is fraught with similar problems. PSE has an important role in a full employment strategy, but as State EDD Director Martin Glick has pointed out, "expanded public service employment as a solution to unemployment is a last resort in the truest sense of the phrase 'last resort.'" Equally important in this truest sense, PSE which has an anti-recession focus must be clearly distinguished from PSE, as in Title II of CETA, which has an anti-poverty purpose with built-in transitional provisions for upward mobility. The latter, even in good times, is vital to achieving some of the major goals of CETA.

Since manpower policy is perhaps the main area in which states like California can begin to develop their economic policy roles, Congress would do well to examine anew the extent to which new approaches to targeting job creation efforts could bring about greater experimentation at the state level.

Within the framework of a national delivery system for tight full employment, such experimentation at the state level might embrace some of the active manpower approaches (as alternatives to prices and incomes policies) of the Swedes which would lend themselves to federal-state implementation in the U.S. These would include private sector alternatives to anti-recession oriented PSE programs which maintain private employment without the possible substitution of lower paid jobs for higher paid jobs.

From a state perspective, however, the realization of a higher level of economic policy relationships between the federal government and the states must rest in the final analysis on finding the ways and means of providing the states with greater access to discretionary funds made available to implement national full employment objectives. General revenue sharing, as currently being implemented without links to more effective federal intervention in the economy, is not responsive to this requirement. Moreover, labor and the minority communities are rightly concerned that without linkages to national full employment objectives and priorities, general revenue sharing can be terribly reactionary in its outcome, especially in the context of current national administration policies to shrink the public sector without compensating actions to make the private sector more responsive to the upward mobility needs of those hanging on to the lower rungs of the nation's economic ladder.

TABLE 1.—CIVILIAN LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT, AND UNEMPLOYMENT RATE, CALIFORNIA, 1970-75

[In thousands]

	Civilian labor force	Employment	Unemployment	Unemployment rate	
				Unadjusted	Seasonally adjusted
Annual average:					
1970.....	8,129.0	7,540.0	589.0	7.2	-----
1971.....	8,389.0	7,652.0	737.0	8.8	-----
1972.....	8,589.0	7,937.0	652.0	7.6	-----
1973.....	8,788.0	8,173.0	615.0	7.0	-----
1974:					
January.....	8,847.4	8,185.8	661.6	7.5	7.1
February.....	8,951.7	8,245.4	706.3	7.9	7.1
March.....	9,017.6	8,326.9	690.7	7.7	7.0
April.....	9,064.0	8,421.4	642.6	7.1	7.0
May.....	9,195.2	8,591.1	604.1	6.6	6.9
June.....	9,387.3	8,687.8	699.5	7.5	7.0
July.....	9,311.1	8,620.0	691.1	7.4	7.3
August.....	9,314.0	8,692.0	622.0	6.7	7.1
September.....	9,344.4	8,722.0	622.4	6.7	7.4
October.....	9,292.1	8,677.1	615.0	6.6	7.3
November.....	9,286.8	8,570.0	716.8	7.7	8.0
December.....	9,340.6	8,572.7	767.9	8.2	8.4
Annual average.....	9,196.0	8,526.0	670.0	7.3	-----
1975:					
January.....	9,231.6	8,375.5	856.1	9.3	8.8
February.....	9,286.1	8,342.0	944.1	10.2	9.1
March.....	9,327.9	8,375.4	952.5	10.2	9.3
April.....	9,383.8	8,434.0	949.8	10.1	10.0
May.....	9,464.1	8,509.9	954.2	10.1	10.6
June.....	9,616.2	8,595.0	1,021.2	10.6	9.9
July.....	9,518.2	8,534.8	983.4	10.3	10.1
August.....	9,458.7	8,560.3	898.4	9.5	10.2
September.....	9,528.5	8,645.9	882.6	9.3	10.3
October.....	9,456.3	8,594.0	862.3	9.1	10.0
November.....	9,427.1	8,516.7	910.4	9.6	10.0
December.....					
Average first 11 months ¹	9,427.1	8,498.5	928.6	9.8	-----

¹ Calculated by Division of Labor Statistics and Research, Department of Industrial Relations, State of California.

Source: Employment Data and Research Division, Employment Development Department, State of California.

TABLE 2.—CHANGES IN NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT, MAJOR INDUSTRY GROUPS AND SELECTED MANUFACTURING SUBGROUPS, CALIFORNIA, SEPTEMBER 1973-75

Industry	Wage and salary workers in September (in thousands)			Change in employment, September to September		
	1973	1974	1975	1973-74	1974-75	1973-75
Total.....	7,763.2	7,934.6	7,863.0	+171.4	-71.6	+99.8
Mineral extraction.....	30.9	31.4	32.6	+0.5	+1.2	+1.7
Construction.....	371.6	341.5	304.1	-30.1	-37.4	-67.5
Manufacturing.....	1,711.7	1,746.5	1,629.3	+34.8	-117.2	-82.4
Nondurable goods.....	589.6	600.0	582.3	+10.4	-17.7	-7.3
Durable goods.....	1,122.1	1,146.5	1,047.0	+24.4	-99.5	-75.1
Apparel and other textile products.....	90.9	92.9	88.4	+2.0	-4.5	-2.5
Rubber and plastic products.....	53.8	53.2	46.6	-0.6	-6.6	-7.2
Lumber and wood products.....	58.3	53.1	47.5	-5.2	-5.6	-10.8
Furniture and fixtures.....	48.2	45.5	41.2	-2.7	-4.3	-7.0
Stone, clay and glass products ²	56.7	55.4	51.7	-1.3	-3.7	-5.0
Primary metal industries.....	60.8	61.2	56.4	+0.4	-4.8	-4.4
Fabricated metal products.....	124.6	127.6	115.5	+3.0	-12.1	-9.1
Machinery, except electrical.....	160.5	177.5	160.8	-17.0	-16.7	+0.3
Electrical equipment and supplies ³	262.8	270.7	248.8	+7.9	-21.9	-14.0
Motor vehicles and equipment.....	43.7	43.1	31.7	-0.6	-11.4	-12.0
Aircraft and parts.....	140.7	142.9	132.5	+2.2	-10.4	-8.2
Instruments and related products.....	42.8	46.7	41.9	+3.9	-4.8	-0.9
Transportation and utilities.....	480.4	484.1	470.6	+3.7	-13.5	-9.8
Trade.....	1,737.2	1,790.0	1,773.8	+52.8	-16.2	+36.6
Finance, insurance, and real estate.....	432.7	444.0	446.9	+11.3	+2.9	+14.2
Services.....	1,511.2	1,564.7	1,586.6	-53.5	+21.9	+75.4
Government.....	1,487.5	1,532.4	1,619.1	+44.9	+86.7	+131.6
Federal.....	309.1	312.9	317.0	+3.8	+4.1	+7.9
State and local.....	1,178.4	1,219.5	1,302.1	+41.1	+82.6	+123.7

¹ Manufacturing industry subgroups shown are those in which absolute job loss exceeded 4,000 over entire period or the year ending September 1975.

² Losses in this industry were concentrated in concrete, gypsum, and plaster products.

³ Losses concentrated in electric lighting and wiring equipment and electronic components and accessories.

Source: Employment Data and Research Division, Employment Department, State of California.

TABLE 3.—CHARACTERISTICS OF THE INSURED UNEMPLOYED, NUMBER OF PERSONS FILING CLAIMS FOR REGULAR STATE UNEMPLOYMENT COMPENSATION

Characteristics	Total insured unemployed—					
	The week ending July 20, 1973		The week ending July 19, 1974		The week ending July 18, 1975	
	Number	Percent distribution	Number	Percent distribution	Number	Percent distribution
Total claimants.....	200,500	100.0	276,100	100.0	420,800	100.0
Age under 25 years.....	33,300	16.6	52,300	18.9	85,800	20.4
Age 45 years and over.....	74,400	37.1	97,200	35.2	128,200	30.5
Weeks of current unemployment:						
1 to 2 weeks total.....	38,600	19.2	45,700	16.6	49,000	11.7
Age 45 years and over.....	14,000	7.0	15,000	5.4	31,100	7.4
15 weeks and over, total.....	41,500	20.7	65,200	23.6	131,500	31.3
Age 45 years and over.....	18,200	9.1	25,400	9.2	43,500	10.3
Industry distribution:						
Contract construction.....	21,500	10.7	54,500	19.7	60,100	14.3
Manufacturing.....	59,500	29.6	75,600	27.4	144,500	34.3
Food and kindred products.....	13,200	6.6	17,000	6.1	23,900	5.6
Wholesale and retail trade.....	41,600	20.8	47,500	17.2	67,100	15.9
Services.....	52,900	26.4	62,500	22.7	86,600	20.6
Female.....	88,400	44.1	92,700	33.6	159,500	37.9

Source: Operations Report, Employment Development Department, State of California, July 1975 and July 1974.

TABLE 4.—COMPARISON OF UNITED STATES AND CALIFORNIA UNEMPLOYMENT RATES, 1950-75

Year or month	Unemployment rates		United States
	California		
	Old method	New method	
Annual averages:			
1950.....	7.7		5.3
1951.....	4.3		3.3
1952.....	4.2		3.1
1953.....	4.1		2.9
1954.....	5.0		5.6
1955.....	3.9		4.4
1956.....	3.4		4.2
1957.....	4.2		4.3
1958.....	6.4		6.8
1959.....	4.8		5.5
1960.....	5.8		5.6
1961.....	6.9		6.7
1962.....	5.9		5.6
1963.....	6.0		5.7
1964.....	6.0		5.2
1965.....	5.9		4.5
1966.....	4.9		3.8
1967.....	5.0	5.7 (+1.9)	3.8
1968.....	4.5	5.4 (+1.8)	3.6
1969.....	4.4	5.2 (+1.7)	3.5
1970.....	6.1	7.2 (+2.3)	4.9
1971.....	7.0	8.8 (+2.9)	5.9
1972.....	5.8	7.6 (+2.0)	5.6
1973.....	5.2	7.0 (+2.1)	4.9
1974.....		7.3 (+1.7)	5.6
1975.....		9.8 (+1.3)	8.5
Seasonally adjusted monthly rates—1975:			
January.....		8.8	8.2
February.....		9.1	8.2
March.....		9.3	8.7
April.....		10.0	8.9
May.....		10.6	9.2
June.....		9.9	8.6
July.....		10.1	8.4
August.....		10.2	8.4
September.....		10.3	8.3
October.....		10.0	8.6
November.....		10.0	8.3
December.....		9.6	8.3

Source: Employment Data and Research Division, Employment Development Department, State of California, Annual Manpower Planning Report, California, 1974 and Technical Paper Series LF 6.2, February 27, 1963.

Attachment.

THE NATIONAL WORK PROGRAM

(By Martin R. Glick)

A PROPOSAL FOR A NATIONAL POLICY AND PROGRAM TO GET AMERICA BACK TO WORK

The Federal Government must act quickly and decisively to reduce unemployment. The following is a proposed Federal policy and plan of action, the National Work Program.

Policy

The Federal Government has responsibility to mandate such national policies and programs as may be required to insure that the maximum possible number of American workers can obtain useful employment at fair rates of compensation.

The private sector of the labor market is and should continue to be the nation's primary employer. National policies and programs should be directed toward the creation of additional jobs in the private profit and non-profit sector.

Government should not hire massive amounts of new employees as a short-term or long-term solution to unemployment. Experience clearly reveals that it is next to impossible to cut back public payrolls once people get on them.

In a state of national emergency such as the one we now face, publicly-financed work projects operated in and by the private sector economy, which produce positive and concrete benefits to the community at large, which are at least 65% labor intensive, and which would not otherwise be undertaken should be the alternative public measure to create jobs. Expanded public service employment as a solution to unemployment is a last resort in the truest sense of that phrase "last resort". Only after all other measures, including public work in the private sector, have been tried and found wanting should government consider substantial additions of public employees.

Program elements

1. A National Public Work Program should be established by the Federal Government. Sufficient funds should be appropriated for the creation of job opportunities in the private sector, along with immediate redirection of non-productive cash transfer funds such as extended Unemployment Insurance benefits. The money would be passed through state agencies to non-profit and to profit entities on a competitive basis for each project which the state determined to undertake.

2. Funding for the public work projects should not be limited to a specified time. The length of the work will vary depending on the time to complete the project. The persons hired as a result of the jobs created will be employees of the private employers and not of the state. Created jobs must employ a balance of skilled (25-30%), semi-skilled and unskilled workers.

The rights of all citizens to equal job opportunities must be protected.

3. Priorities for National Work Program job creation projects should include substantial economic development and fiscal support of programs which involve:

(a) The Housing, Construction and Community Development Industry, to include housing rehabilitation and structural improvements to provide safe and healthful housing; development of housing which low and moderate income families can afford; housing improvement loans for red-lined districts; neighborhood beautification and public works improvement.

(b) The Transportation Industry, with revenues made available for development of energy-saving transportation alternatives, including inter-city mass transit.

(c) The Energy Producing Industry, as technology permits, with special incentives for labor intensive, ecologically sound projects to tap alternative energy reservoirs.

(d) Similar industries which have high labor intensive potential and which contribute substantially to the improvement of urban and rural communities, to the preservation of national resources and to the security and well-being of individual citizens. Such projects might include urban beautification projects, parks and recreation development and maintenance, development of hiking trails, rehabilitation of school buildings and play grounds, conversion of available structures to child care centers.

4. As a complement to the National public work effort, present public service employment programs and Comprehensive Employment and Training (CETA) programs should be fully funded and maintained.

5. Job creation strategies must also include other effective efforts to produce unsubsidized employment:

- A labor intensive tax credit to provide positive tax incentives to industry for capital expansion which results in the direct and indirect creation of additional jobs;

- Effective economic disincentives on American multinational corporations to prevent capital expansion and employment practices which exclude American citizens from job opportunities;

- Loosening capital supply through changes in monetary practices of the Federal Reserve Board and providing tax cuts through enactment of special legislation.

Cost

- The appropriation to finance the National Work Program would be 20.4 billion dollars. Conservatively speaking there would be immediate savings of 2.5 billion dollars in welfare payments, food stamps, and medicaid, 3.5 billion dollars in extended unemployment insurance benefits, and 6 billion dollars in regular unemployment insurance benefits. The net maximum cost therefore

would be 8 billion dollars. This does not take into account, however, the increase in income tax revenues that would occur with 5.1 million new wage earners in the work force and with a stimulated economy producing increased earnings for those now working. It also does not take into account the high emotional and dollar costs that massive unemployment produces in crime, drug abuse, alcoholism, family separations, and loss of self-esteem. The anticipated impact of these expenditures is a net reduction of unemployment to approximately 3%.

Conclusion

Unemployment continues to be the nation's most critical domestic problem. The Federal Government alone in the public sector possesses the authority and power to mobilize the resources required to solve the problem. Decisive action as outlined in this proposal is urgently needed. We submit this proposal to the Vice-President and the Domestic Council as a responsible and effective approach to get the nation's labor force back to work.

Chairman HUMPHREY. Well I thank you, Mr. Vial, for a thoughtful and provocative statement. It is the sort of thing that we need here and we will certainly be back to talk to you not only here, but on another occasion. Our concluding witness is Mr. Weyerhaeuser and we are very fortunate to have you, Mr. Weyerhaeuser and we look forward to your testimony.

STATEMENT OF GEORGE H. WEYERHAEUSER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, WEYERHAEUSER CO.

Mr. WEYERHAEUSER. Thank you, Mr. Chairman, and members of the committee. I am delighted to be here.

I have to say, first of all, I am a little bit surprised to find myself in southern California, representing the Oregon territories. But nevertheless, I will try to cover the territory.

Chairman HUMPHREY. Your company has a great impact on our economy and our economy has a great impact on your company. So we thought it would be good to hear from you.

Mr. WEYERHAEUSER. Well, perhaps my qualifications might line up a little better by saying that we are in the homebuilding business in California in a major way, and across the country, and I was asked to comment some on the housing situation.

Our industry, described as forest products covering both pulp and paper, and the building materials that come from timber, is the largest employer in the States of Washington and Oregon in the aggregate. Our company does employ some 20,000-22,000 people in those two States.

I did treat in my paper, which I submitted, with the longer term aspects of employment capacity and problems that I see in both the pulp and paper and wood products parts of our industry as well as with the concerns that I have with respect to the damage that inflation has done in the housing sector.

The housing, of course, I do not have to say is if not the major certainly one of the major job creating sectors in the economy, and it has a terrific implication with respect to other supplying industries—appliances, furniture, et cetera—that are tied to housing's fortune. It has a tremendous ripple effect.

In housing, 1975 was a "recovery year." But I would have to say that if that is recovery, give us something else because we are still now in the housing market only at levels of about 68 percent of the

1972 levels in single-family housing and 26 percent of the multifamily levels 4 years ago. So not only are we not providing more jobs—I am obviously comparing from a peak. But nevertheless, from peak to valley is an awfully big fall and the valley was not in 1975. The valley was in 1974. So even in a recovery year, we are only a very small portion of the way back to the previous level.

The wood products industries, of course, are basic suppliers to housing and, therefore, they are critically affected by the levels of housing.

We have both in housing and in wood products some significant supply problems. It is not only a demand problem.

In the housing area, it is obvious that in many areas of the country there is a wide discrepancy between the desire for more housing and economic housing, and the desires of peoples in the localities where housing is to go to, in fact, not see too much improvement, not too much activity, not too much growth which, in effect, is working against the cost very, very dramatically. I say that specifically with respect to California. In our activities here we find it very, very difficult to get approvals. There are long lead times. The costs of developing land for housing are going up dramatically. Part of those costs are by virtue of the regulations, the basic bias of localities against further housing development.

Chairman HUMPHREY. That is rather characteristic, is it not?

Mr. WEYERHAEUSER. It is rather characteristic, and I don't choose southern California as being any worse than—

Chairman HUMPHREY. We are having the same thing up home.

Mr. WEYERHAEUSER. But this is playing a very major role in driving housing out of the cost range of many people, the price range that many people can meet. It is driving housing, in effect, to a smaller and smaller portion of the total public. The housing industry is in a dramatic state of ill health partly because of that. We just are going to a thinner and thinner market, forcing the costs up. We are not providing housing and we certainly are not achieving levels of employment. It is a very, very sick industry. I think you will find little quarrel with that.

In the related employment in Oregon and Washington in the wood products industry, we are down actually about 9 or 10 percent from the levels of 2 or 3 years ago. So we are not providing, again, any growth in the Northwest in the job sector up there, one basic job sector from this forest products industry.

One of the reasons we are having problems in the supply side up there is that we are having timber supply problems because of our dependency upon the Federal Forest Service for timber. Uncertainty about Forest Service priorities and policies and threats of reduction in annual cut have helped keep public timber sales scarce, and keep the auction prices very high even when product prices and final demand has been dropping significantly. So we have in the primary production sector up there a very major problem, and clarification of Federal objectives on government timber, increased investment in timber growth on Federal lands, would be a major help in protecting the small business segment of our wood products industry from disaster during domestic housing slumps. So we not only have problems on

the converting side, the building of houses. We have problems on the supply side in terms of raw material.

I think that in the short term, improvement in the housing market is going to be needed to bring employment levels back both in housing and wood products to anything like satisfactory levels. We think that some transitional help is required in the financing of multifamily housing, which has really been clobbered by the inflationary factors and cost factors.

It is so sick today, however, that during this interim period we think that single-family housing is going to have to be the primary vehicle for recovery in housing, and that short-term stimulus should come through the release for single-family housing of the \$2 billion already appropriated for mortgage interest subsidy under the tandem plan. We think that is an appropriate short-term move.

We think if the longer term is to be served, however, that Government mortgage programs should be managed so as to hold mortgages during periods of money shortages and high interest rates, rather than purchase and resell immediately where, in effect, they are competing for funds right back in the market and taking it out of conventional financing. So, in fact, they are not solving the stabilizing or longer term supply situation. They are merely rolling over—

Chairman HUMPHREY. Just helping ourselves, the Government.

Mr. WEYERHAEUSER. Exactly. So I think some change has to be effected in that arena.

I think the long term goal is to stabilize. We have a terrific economic dislocation in housing. Everybody knows it. I am not telling you any thing you have not heard many, many times. But the costs, the effect of placing housing in existence at anything like a reasonable cost off of the terrific cyclical effect of people going into business and out of business, employing people or unemploying people—the implied cost of a highly cyclic industry like this, the effect of that on the long-term cost end I have never seen adequate studies made of. But it is absolutely tremendous because most of the major builders in home building—and I don't mean great big companies; a lot of builders are not very big—all over the country have gone up and down and in and out. They are on the outside, and we are going to have a heck of a time getting the housing industry geared back up when we have the mortgage money available and the demand there.

The cost of these cycles is just absolutely terrific to the whole economy. So some smoothing of that through the financial side—housing is the primary victim of distintermediate of the periods when long rates get to be very, very high, when you have also the short rates moving up so that other avenues or intermediate financing are more attractive than housing. There is a flow of funds out of housing and it is more cyclical than the economy as a whole and that has got to be addressed if we are going to solve the supply side of housing over the longer term in any kind of cost pattern that people can afford to pay for.

The other side of the equation that I talked about was the effect of inflation and the environmental effects on basic manufacturing facilities that we have in pulp and paper, which is the other part of our major employment base, a major part of our business in the Northwest and elsewhere.

Several Federal studies have indicated the inflationary effect of our national environmental control system has been small. These studies have tended to average out pollution control expenditures through all industry, and have amortized the cost over extended lengths of time.

Unfortunately, that approach is just totally inadequate because, in fact, those expenditures are more heavily focused in primary industry where we have bottlenecks. Second, they happen to be paid in the here-and-now. However you want to handle it on bookkeeping, the funds flow comes right out of capital expenditures which otherwise could go to capacity expansion. So when you have a shortage of basic manufacturing capacity, it is not a long-term problem. It is a short term problem. This is exactly what happened in a lot of the basic industries in the period of 1974. When we have 10 percent, inadequate capacity to meet the demand, prices double. So you are talking about a period in which the difference between having capacity in place or having been eliminated, or by virtue of not having capital availability, or of having retired facilities that were on the edge of obsolescence for environmental reasons absolutely contributed in a major way to the inflationary blowup that took place in 1974.

Chairman HUMPHREY. Did Government people ever listen to that practical kind of an approach?

Mr. WEYERHAEUSER. I have presented for the paper industry on several occasions our analysis of that overall situation. I have heard it for steel and chemical. But is is a different question of whether it has been spoken or whether it has been heard, sir. I would question whether it has been heard.

You immediately get into the question, well, "You are against motherhood because you really are just asking for a license to continue pollution, and you are not taking care of the basic problems in the environment."

It is our very strong conviction that we can take care of the basic problems in the environment if we address the needs at the local level, if we address the needs of the environment, not of standard effluent requirements that are addressed irrespective of the economic consequences, job consequences, capital consequences on a national, uniform, broad scale legislative approach. In other words, I think our environmental standards should be turned around now, not to roll the clock back, but now prospectively to address the problem: What is actually needed in each environment? And addressing a particular set of ambient conditions rather than a national future zero pollution goal which ignores the economic and job consequences in these basic industries which are going to be critical in the next inflationary cycle, which I predict will be in 1977-78. They go far beyond the inflation just in the primary sectors, because if we are short on the basic metals, metal-producing chemicals, utilities, and I will include pulp and paper, what happens in the secondary industries? Well, what happens is they are short of raw materials. When they are short of raw materials, their prices go through the overhead. So you are constricting, from the supply side, the whole equation. I don't think that has been adequately addressed in our national policy.

Now, I proposed a number of solutions which, again, would fall in the category of self-serving in the sense that we are a large heavy industry and we are capital intensive. But I would say this, that unless

and until we address head-on the question of the investment capital needed to flow into primary industry, I don't think we are going to have the job creation. They are tied together. You cannot have one without the other. I think we are going to have to address the question of the capital formation issue directly with the employment issue, and understand what our economy really requires in these major sectors and, in fact, tie some kind of permanent, investment tax credit in inflation-related, depreciation indexes.

One of the big problems is that we are depreciating equipment on 10-year-ago values, and we cannot replace it. So when we come to replacement of equipment, in order to maintain plants and build new plants, we are coming into today's costs or tomorrow's costs, which are two and three and four times what they were at the time the equipment went into place. So we have grossly inadequate depreciation allowances.

Now I would say in our own case, to put in new facilities in about 4 years' time we have had doubling of the basic cost of the same amount of capacity. So we have a 4-year doubling rate and if we are depreciating equipment over 10 or 15 years, we can't come within a country mile of recovering the capital necessary to put in the new equipment.

Chairman HUMPHREY. I think you would be pleased to know that we have instructed the staff of this committee, and under our appropriation that we have, to make an intensive study of the matter of capital formation, recognizing the problems that you have. Now whether anybody will listen to us, I don't know either.

Mr. WEYERHAEUSER. I am sure nobody is listening to us.

Chairman HUMPHREY. Well we are listening, and we are going to try to talk a little louder.

Mr. WEYERHAEUSER. Thank you, sir. That concludes my remarks. [The prepared statement of Mr. Weyerhaeuser follows:]

PREPARED STATEMENT OF GEORGE H. WEYERHAEUSER

Mr. Chairman and Members of the Committee:

I am George H. Weyerhaeuser, President of Weyerhaeuser Company of Tacoma, Washington. We are a major producer of lumber, plywood, pulp, paper, paperboard, packaging, and single family homes. Some 21,500 of our people are employed in the Western United States, primarily in Washington and Oregon.

Our ability to provide employment in high productivity jobs is very heavily dependent upon the U.S. housing market which impacts our construction businesses and our wood products operations. We are also very dependent upon access to Japanese and European export markets since our proximity to coastal port facilities gives us a competitive edge in international markets. Southern and Canadian forest producers have somewhat better access, at lower transportation cost, to U.S. markets than do Western producers. Thus, those regions are very formidable competitors in the current weak domestic markets.

As a result of the slow housing market, Washington and Oregon lumber and plywood production in 1975 was down 18 percent and employment was down 13 percent from 1973 levels. The current weak markets have hit particularly hard at the small mill owner using Forest Service timber as he had neither the market nor the supply flexibility to weather such a long recession.

Paper and paperboard markets are just now recovering from the record low operating rates that resulted from the economywide inventory recession during 1975.

Looking ahead, continued housing problems, inadequate capital availability, too rigid an environmental regulation system and insufficient forest management investment by the Forest Service are all key problems for the Pacific Northwest Forest Products Industry and these problems are all related to the state of the economy.

We share many of the committee's concerns about the economy, as expressed in the midyear report. Based upon our experience as a primary processor and our experience in the housing market, we are greatly concerned about our company's and the economy's ability to produce the new jobs or adequate housing for an expanding labor force.

It's easy to blame most of the economy's current problems on inflation but to solve any of these problems it's important to consider some of the structural causes of inflation. These require broad recognition and attentive action if we are ever to get back to full employment.

In the pulp and paper industry, consumers experienced record shortages by 1974. In spite of all-out production efforts which pushed operating costs up to record heights, prices rose even faster as buyers bid them up to ration out a scarce product to those that needed it most.

In my view, this shortage, and comparable shortages in other primary processing industries, was one major cause of inflation. The restraints to national economic growth would have been nearly as severe, because of primary product shortages, even without the food inflation and oil crisis.

The important questions are: Why was there a shortage, will it reoccur, and what can be done about it? Was it caused by excess demand or inadequate supply?

Our analysis of the pulp and paper industry shows that the rapid rise in pollution control expenditures outpriorized expansion in primary processing capacity. This resulted in a reduction in normal capacity expansion of more than 10 percent which was by itself adequate cause for most of the product price movements. Ten percent more capacity would have been adequate cushion for several more years of above-trend growth in demand. The capacity shortages resulting from mandated pollution expenditures is a critical economic issue. The goals, to clean up pollution, are not at issue.

The system erected to meet those goals is faulty. Regulatory pressure that needlessly causes greater shortages should be a major economic issue. The present system simply is not aimed at the needs of specific environments, but rather at uniform effluent requirements irrespective of the actual impact on the environment or the economic consequence.

Most of the primary processing industries such as metal processing and chemicals have, or will soon have, spent nearly as high a share of their investments on pollution requirements as the paper industry reducing their expansion plans a similar amount. Much of this pollution-hardware investment is unnecessary to meet reasonable environmental needs.

There are other contributing factors, but this shortage of primary processing capacity was a chief bottleneck to economic growth in 1974 and will very likely become a limiting factor again as recovery proceeds. You cannot fully utilize finished goods capacity to support full employment unless you have primary processing goods to feed those plants. And you can't solve the economy's problems by stimulating consumption if the primary goods are simply not in adequate supply to allow that increased demand to be fully met.

In my view, if we had not had the shortages in primary processing, including energy, or the food shortages, the economy could have continued to grow in 1974 with full employment and without inflation. We would not be looking back, contending that money growth was excessive. Rather we would have been able to say the money policy supported a sustained growth, high-productivity, economy with a rising standard of living.

Unfortunately, government policies didn't take into account the slowing of primary capacity expansion. And wage demands didn't take into account that productivity was similarly slowing. Policies failed to take into account that effective construction and equipment costs had risen from 1971, so that more cash flow would have to be sourced internally within industries in order to get capacity back to normal expansion rates—let alone to provide a catch up for the shortfall in primary processing capacity.

As an example of the latter, a mill that we built in 1970-71 now costs us 200 percent more to build. Of that total, forty-three percent is normal inflation, and 19 percent is for pollution abatement to satisfy reasonable environmental goals and meet 1977 standards. Another 13 percent is required to approach 1983 standards—without a remotely comparable improvement in the environment for the cost expended—and another 28 percent is abnormal inflation associated with shortages of capital goods, processing delays and the regulatory impact on suppliers.

A recent study done for the American Paper Institute shows that the costs required to source pollution capital, as well as the regular capital requirements to expand capacity to support an economy growing at 3.7 percent, is nearly twice as great as the cash flow the industry can expect from historic margins. Pollution capital from 1977-74 equaled 80 percent of the capital going to primary processing expansion. Pollution capital has and will continue to out-priorize expansion capital—and it is expansion capital that creates new higher-productivity jobs and allows the economy to grow. The question now is, how do we get the economy back on track?

The second question is, once we do, when will we run out of capacity again? And, what policies will allow us to avoid repeating those shortages, and still give us improvements in both unemployment and productivity? Realistically, if we expect to get prices down, we will have to get costs down first. To get costs down we need to get the economy growing fairly strongly to make up for recent productivity losses in a cyclical sense. This would also restore profits badly needed to get investment in capacity-growth back on track and to sustain productivity to hold costs down. We don't have to worry about basic shortages being repeated in 1976, but there may be some primary products that will again bump against capacity limits by late 1977.

As our own markets collapsed we have had to reduce Weyerhaeuser Company's capital expenditures by 30 percent. The Forest Products Industry reports of new capacity coming on line show similar reductions, and this means a significant reduction in future jobs.

To get unemployment down by 1977 or even 1980 without inflation, *investment* is the key. The economy doesn't now have a short term capacity problem—we solved that by a recession—but we'll also have less investment as a consequence of that solution. Cash flow sources have in fact proven to be inadequate for combined pollution control, new capacity, and capacity maintenance investments for the past ten years.

There surely will not be enough jobs until we find solutions to the inadequate cash flow situation. Nor will we get new primary capacity up to keep inflation in check. How can this be accomplished?

Some partial stimulants to obtaining adequate cash flow for investment needs over the next five or more years include:

- A permanent rather than temporary investment tax credit.

- Inflation-indexed depreciation allowances.

- Adoption of the Canadian system of depreciation which permits a two-year manufacturing equipment writeoff.

- Incremental tax credit for pollution equipment.

- Reducing the double taxation of corporate dividends.

- A corporate tax rate reduction.

Motivating the consumer to save more of his income certainly makes sense in the long term to support such investments. If demand has a good chance of exceeding supply by 1977, it is not too early to build into policies enough flexibility to restrain demand by increased savings for 1977, such as forced savings through withholding, and greater incentives to save voluntarily. Government surpluses to avoid competition with the private capital needs would certainly be desirable in the long run, but that goal will be practical only after the economy is growing more steadily.

If the government subsidizes public service jobs, we must be concerned whether the goods consumed by these jobs are contributing to new shortages or if they are restoring reasonable levels of operation for those industries with enormous slack capacity. But more critically, we must be sure that the government spending is not crowding out private investments that are creating productive new jobs.

So long as the Federal Reserve Board adheres to a narrow target range in money growth of under 7.5%, any government spending stimulus that tends to push money growth to the upper growth limit will produce rapidly rising interest rates. This would be self-defeating since it would reduce investment in capital goods as well as cause another collapse in housing. Now, I'm not simply advocating higher money growth targets. That too can lead to inflation. I am saying that monetary and fiscal policy must be reinforcing and not be working at cross purposes with each other.

The problem is that the Federal Reserve Board's use of interest rates to control money aggregates has a very disproportionate impact on different sectors of the economy. It is not an effective tool to slow down the economy or to prevent

the economy from overheating without causing disproportionate dislocations in certain sectors, especially to our industry. As it applies to the next several years, it makes no sense to try to stimulate the economy faster without the Federal Reserve Board's prior agreement to accommodate such growth.

We have already seen the impact of the Federal Reserve Board's money growth target in the rising interest rates last fall and the resulting crowding out of the inflows to thrift institutions.

If a restructuring of the government's present economic planning functions resulted in closer coordination between fiscal and monetary policy, it could reduce the very painful and costly business cycles we have been experiencing in recent years. If it could identify and eliminate those costly regulations that have no constructive impact, it would be a major improvement. But if such restructuring adds another tier of regulatory problems for producers, rather than concentrating on greater coordination of present governmental impacts, the economy's problems will be further compounded instead of alleviated.

However sound the objectives of balanced growth and economic planning, you must realize we witness daily the results of government's failures at planning and to a great degree those failures are responsible for current problems. The objective of an environmentally clean and aesthetic world is beyond question. But the growing regulatory system that the government has created to develop plans to meet that objective has completed an almost endless list of studies but has yet to come to grips with the simple fact that pollution costs have restricted primary processing capacity; have, as a consequence, limited economic growth and income; and, as a result, greatly limited people's ability to enjoy the reductions in pollution achieved. The government's planning has forced upon much of primary industry in just a few years a 10% reduction in usable plant and equipment and has yet to realize that this is a major source of the shortages that constrain growth and produce unemployment. If this is not a failure in planning, it is certainly an example of different levels of the government working at cross purpose with each other.

The economy's shortage problems have been temporarily relieved by the recession but they have contributed to housing problems that will be with us for years to come. For the first time in history as the money markets eased, housing did not quickly recover. Single family starts in the 1975 recovery year were 68 percent of the 1972 level and multi-family starts were only 26 percent of 1972 levels. The high rate of inflation was responsible for this situation.

Even in good times, single family homebuilding has been a low margin business but the depressed levels of activity during the last two years have produced a lot of red ink for builders and have impaired the capacity of the industry. The enormous loss of jobs resulting from this industry's operating below half of its capacity is a tragedy. The longer it takes to recover from these depressed numbers of starts, the more damage will be done to the structure of the residential construction business and the more difficult it will be to re-employ the construction workers and suppliers or to achieve the housing goals that Congress established. The economy needs a viable and healthy building industry, which is one of the largest direct and indirect creators of jobs.

A reasonable recovery in multi-family housing is not likely to come until extreme shortages of homes exist. With the very high costs of money, the higher operating costs and utility costs and the higher costs of construction there are very few places where there is any profit in developing new rental units, with rents lagging far behind inflation and even deliberately controlled at low levels in many areas.

Rents have too far to move up to expect this adjustment to take place easily. Older units will continue to be leased for some time without reflecting the replacement value of these units in their cost of operation. As a consequence, new units with higher rents will have difficulty in obtaining high occupancy quickly, providing a further disincentive to investment in new units. We can expect little improvement in multi-family units until rental vacancy rates reach record lows and rents begin to skyrocket from the shortage. As the economy recovers and new jobs are provided again, younger job seekers will be moving out of their parental homes again to take those new jobs. With very few new units coming on the market, vacancy rates will drop rapidly. But, instead of worrying about the economy's need for homes for the ever increasing labor force, we will instead hear an uproar about rents and calls for rent control, which will further compound the housing shortage.

If we want to restore a more stable and balanced growth in the economy, the construction of multi-family units simply has to receive temporary support to motivate investment until rents and costs have stabilized across the housing stock. Temporary tax credits or Tandem Plan subsidized interest rates would raise the profitability to motivate some additional investment in multi-units. In the longer term rent increases and lower interest costs should sustain multi-unit starts without support.

What we understand instead, is that pending tax reforms will discriminate against apartments built after December 1976 by not allowing project losses to be offset against other income. Units started in 1977 will not be competitive with existing units. The reasons for discriminating against builders over other producers should be difficult to justify in any condition, but the most direct result will be an even lower rate of return on new multi-units and units constructed. Congress needs to review the economics of multi-family construction and ownership immediately in order to determine the magnitude of the negative impact of this tax legislation on new apartment construction.

There have been plenty of examples of ineffective government programs in the housing sector. But the motivation that led to those attempts is still valid. Providing conditions that help to stabilize housing starts closer to longer term needs is good for employment, it will help to reduce costs and inflation, and it will improve our population's standard of living—but it is not easy to accomplish in the face of the tremendous gyrations that have been taking place in capital markets.

The sickness in the multi-family sector requires that the single-family sector be stimulated to ease unemployment and to meet housing needs. One program that has worked effectively in housing is the tandem plan. Subsidizing interest rates does allow home investors to compete for funds against corporate and government borrowers in tight money markets. It can help to prevent a total collapse of housing and hence is stabilizing. The tandem programs have been cost effective and have not been abused by the parties involved. If in the execution of the program, however, the government does not hold the mortgages through the tight market period, the program becomes much less effective. When the government agencies sell mortgages into a tight money market interest rates are driven up. The final source of funds to purchase these mortgages is inevitably a further outflow from thrift institutions who would have invested in mortgages without the government actions.

But if Tandem Plan mortgages are initiated by the government agencies in tight markets and are sold off after housing has recovered and the flow of funds has been restored then both a temporary flow of funds and investment motivation can be provided to prevent the costly collapse of the homebuilding market. In addition, the government's sale of mortgages in a declining interest rate market will normally provide a profit to the government, offsetting the interest cost subsidy making the program very low cost to the government over a several year period. The sale of mortgages in easy market conditions also prevents housing from soaring peaks which could be inflationary. Properly executed and at sufficient scale the tandem program could be stabilizing to housing at low cost to the government. Therefore, a major low-cost and non-inflationary stimulant to the economy would be immediate release to single-family housing of the \$2 billion of funds already appropriated under the Tandem Plan.

The judicious use of the tandem program for multi-family units can also provide some of the temporary help needed to motivate needed construction in that housing sector. However, the below market interest face rate should be for an interim period of no more than five years to prevent any windfall profit possibility.

To broaden the base of support for programs in owner occupied housing, limiting the mortgages to 20 percent above the regional median home price can make the program cost effective and socially equitable. Limiting the program only to the very lowest income or price categories is counterproductive since the median incomes provide the bulk of the market especially during recessions, with lower income families normally purchasing partially depreciated existing homes. Without new homes even the price of existing homes will rise out of reach of the low income family.

I am suggesting here a broader use of the Tandem Plan and the release of more funds for use with the plan not because it is sufficient to totally stabilize housing over the business cycle, but because it is the only program around that is fairly well understood and has been demonstrated to work. With the total

economy's unemployment rate over 8 percent and construction workers and forest products far above that, it makes sense to stabilize housing closer to long-term needs. The industry is producing just over half of the units it produced in 1972.

The most desirable goal would be to stabilize housing so that it does not have to absorb a disproportionate share of the business cycle. If that goal could be achieved, we would see productive investments attracted to the homebuilding industry and a steady progress toward producing cheaper and more cost effective homes that would contribute significantly to the effective standard of living for all income groups.

The FINE proposals for restructuring financial institutions have the potential to stabilize mortgage creation in the debt markets without interfering with the exercise of monetary policy to achieve that goal.

Our chief concern over the longer run is that the more sweeping financial reforms like FINE, will effectively be tabled, surfacing only those parts of the program that give financial institutions more freedom. This will make the housing market even more sensitive to the crowding out in a tight money market when government and corporate investors are strapped for funds and bid up rates beyond the consumer's ability to purchase or the multi-family builder's ability to rent out units.

Any financial reform should encompass housing needs which will require stabilizing the participation of new mortgages in debt markets in order to avoid the disruptive housing cycles we have experienced over the past 10 years.

Chairman HUMPHREY. All right. We have a most interesting panel. I want to say I think it is one of the best that we have had in any of our hearings, and I want to compliment each and every one of you. It has been the kind of information that is most helpful to us.

Just to get a little local picture here, we have had the unemployment rates cited and we understand pretty well what they are. There are honest differences as to whether the official figures are all that they should be. But it is bad enough to be frightening for us to be concerned about it.

Let us just ask a question about California industry. What industries do you see in this State, or in this Western part of the United States, that will provide employment growth?

Let us assume for a minute that we can help, be more helpful with investment, by depreciation schedules, tax policy—the point that Mr. Weyerhaeuser was making about the need of investment capital. What industries do you think will provide the growth?

We will start with you, Mr. Weyerhaeuser.

Mr. WEYERHAEUSER. I can speak with some knowledge of Oregon and Washington, and a slim amount in California. But let me say this. I think there are at least three primary areas in the Northwest that we can and will see some expansion in, and which could be accelerated with the right kinds of economic climate and the right kinds of policies.

I think we are going to see a major expansion of the export potential from the Northwest to Southeast Asia.

I think we are going to see—we have three primary segments that the economy is built on up there. Agriculture—we are going to see a strong agricultural economy, I believe, and plenty of good, sound growth in the agricultural segment in Oregon and Washington.

I think that the second pillar up North is the forest products industry. I think the primary thing that I see in our industry is an expansion of the export markets to both Europe and the Far East, and will come forward in terms of both lumber-plywood, and pulp and paper products. Those markets are opening up around the world. To accomplish the expansion in both of these areas though, we are going

to have some major replacement to do of facilities and major building of products all the way from newsprint to pulp and paper of all kinds. I see the next 10 years—the potential is there in world markets to support a much higher level of activity. So it is not a market-constrained proposition. As I say, I think it is basically a supply and investment constraint that is holding back the employment levels.

Now, there is a good deal of activity in the Northwest. There is a good deal of energy-related activity that is needed in the Northwest—energy sources. We are going to have to expand in a major way on the nuclear front and in other energy sources in order to support some increments in basic industry. Those are the primary things that I see up there providing basic industrial expansion possibilities.

Aerospace, unfortunately, is our third pillar. I think there are a great many things that can take place in the aerospace field. But we are going to go through, I believe, a major or a significant period here of readjustment on the down side before that segment of our economy comes back. But talking over the longer term, I think we have good potential there to expand.

Chairman HUMPHREY. For this year though, this year of 1976, do you see any major growth in employment?

Mr. WEYERHAEUSER. I see stability.

Chairman HUMPHREY. Leveling?

Mr. WEYERHAEUSER. Leveling, moderate improvement. But very moderate. We are not going to have a recovery. Ours is going to be a picture of hanging on. Relatively stable overall employment, a mixture of these three segments.

Chairman HUMPHREY. Not letting the down side hit us again.

Mr. WEYERHAEUSER. No, sir. I don't think we are going to be faced with that.

Chairman HUMPHREY. We will go right down the line.

Ms. ELTON, what industries do you think might provide additional employment this year? You have given us some of the ideas as to governmental policies. But what industries do you think?

Ms. ELTON. I think probably our best hope in the immediate bay area at least is in the finance field. Finance, insurance real estate is one of our growing groups. The main problem, of course, is that it is growing on a small base. The numbers are small.

The service industries are continuing to grow. But that will be slow growth.

I think the nature of agriculture is probably in a state of change. We may be going more into specialty crops.

But I don't see anything that is going to grow enough to help us through the situation we are in.

Chairman HUMPHREY. Those are not particularly labor intensive industries.

Ms. ELTON. No; they are not.

Chairman HUMPHREY. I realize that, as Mr. Weyerhaeuser was saying, some of these matters take some time. If we can move along, and hold on, and get the time you will then improve your labor conditions, or your employment conditions.

Mr. Henning, would you like to make any comment on the question of what significant improvement in the employment situation we

could have during the course of the year, and in what industries, if any, would such improvement take place?

Mr. HENNING. We would hope that there could be an advance in housing. We credit the present Governor in California and the legislature with some vision on this. The last session of the legislature adopted a \$900 million housing, low-interest loan program for private housing development; \$500 million of that must be approved, though, by the voters in a bond issue in June. We trust they will have the wisdom to do it.

I might say in an aside on the forestry situation that I will commend the Governor for his realistic view in this. At the beginning of his administration, an edict came forth from one of the agency heads that would have frozen logging in the northwestern counties of our State. In Humboldt County, which was the critical county involved, we have 20 percent unemployment. Now, that is the official State figure overall. We have 40 percent unemployed in the lumber, sawmill workers' union. You know what this means to the business community as well as to the jobless. The Governor, to his great credit, reduced the importance of the environmental impact report, put the regulation under the Forest Practices Act, really retained and expanded the regulations that had been originally in that act, declared a moratorium on the environmental impact report concept somewhat in line with what Mr. Weyerhaeuser was speaking of.

In agriculture, since that has been mentioned—that is our largest single industry. But the productivity rate in agriculture runs I suppose now about 6 percent a year. In other words, the technical advances are displacing workers. Unionized or nonunion, agriculture is a limited place for future employment. So we don't look with any hope toward that.

But I think there might be a bit of a danger here in trying to think you can have a prosperous lumber industry or a prosperous motion picture industry in a sick economy. I don't think there is any escape from the realities of the fiscal and monetary policies that deal with the basic state of the economy. We can't have a prosperous California and a sick economic Nation. We can't have a prosperous Kansas while all of the Nation is sick.

So I think it can be a bit illusory to talk of putting hopes in the growth of one industry while the whole economy is suffering, and suffering badly. We don't see any serious hope in the unemployment situation. The apostles of the present disaster are saying we have to live with 7.9 percent in 1976. We know that sounds like a bargain counter figure. They don't want to go to 8. They say 7.9. So if it is that bad in the mind of the national administration, how are we to have any hope?

Chairman HUMPHREY. All right. Mr. Hahn, any comment?

Mr. HAHN. Yes, Mr. Chairman, Members of the Congress that are here. I leaned over, when Mr. Weyerhaeuser was speaking, to Jack Henning and to Mr. Vial and I said:

Sitting here, the scene that you heard from the head of one of the great industries of the Pacific Coast was about the same that we are trying to say. You have got to have jobs.

Specifically, as I sit here I look across the street. There is the great University of Southern California. Great ideas, training people to

serve in all professions. On the other side of us is the sports arena, the coliseum. That is where Kennedy was nominated 16 years ago. Made a big speech in the coliseum—the hope of our Nation to get going, to move forward. Here you are at the center of Los Angeles County. A couple of blocks away here is the center of population of 7 million people, the center for education. This is an agricultural park, the Rose Garden. This is a State facility. Here you have the theme running through the government and institutions to make a better society.

As I drove down to work Friday—I take a different street every time I come down to the civic center—I looked, Mr. Hawkins in particular, at Broadway, going down Broadway from Manchester downtown and all the vacant businesses.

You go through Watts and see all the new homes that are needed. I came up Normandie today to see the vacant lots. A building that does not meet the code is torn down.

The theme that Mr. Weyerhaeuser said is the one that I would like to emphasize. I put down homes. Homes. We have 300,000 unemployed people in this county. Look what we could do in the building of better homes, and housing, and little businesses down Broadway, down Main Street, down Hoover. Some of the buildings that were burnt out in the Watts riots, the foundations are still there. But the building is gone.

There is a crying need in the inner city. Five hundred years ago people used to go to the inner city to erect a wall around, to be safe, to have a decent roof over their head, to have a job, for food. Now the inner cities are ones where there is fear and there is slums and there is crime and there is disease.

If you asked me what industry, Mr. Humphrey, I would say let us get moving in the inner city to clean up the inner city; mass transportation, better individual housing, better schools, little businesses, put a shot in the arm for the economy, create jobs. It would have to come through lumber, as you said.

And then the economy and lending institutions—we have had a terrible thing in Los Angeles. Maybe the Federal Government can help us. We have had banks and mortgage companies, savings and loans, take the curfew area of 1965 and they put a red line on a map. If you live in it, you can't get a loan. That is un-American. It is unconstitutional. Yet they all have Federal Government charters, and Federal Government requirements.

I would say in the central part of my district, maybe 600,000 people live in an area where there is a red line around that you cannot get a loan within. I happen to live in that area. I was born just two blocks from this place. I live in an area that is marked with a band. You can't get a loan to improve your house, to rehabilitate it, to put a new roof on.

What a challenge it will be to you when you go back to Washington to say, "Let us move this country. Let us make life worth living in the inner city."

Why should the people have to go to the suburbs. I think we have good housing, good business, good schools, good hospitals. What a challenge it is. I think you can meet the challenge. I think you can solve it. We stand ready to support you. That is why the board of supervisors officially endorsed the Humphrey-Hawkins bill. We have officially gone on record on it.

Chairman HUMPHREY. Mr. Vial, we would like your comment on it. I would also like, if I might just toss it in to you and then this will be my final question, to know whether or not we can get this kind of employment that we are talking about with any degree of price stability. Or, to put it simply, can you get back to full employment, and how quickly can it be done, without incurring serious inflationary pressures or a spiral? I think this is what we all wrestle with. It is sort of like the patient in the hospital. Can you operate without killing the patient?

Mr. VIAL. Well, obviously, as I look at my table on the impact of the recession on employment, there are many areas across the board where employment can be expanded in California with the stimulus of appropriate policies.

Certainly manufacturing can pick up. There is a tendency toward service industries being a more important source of employment in the economy. There is a construction industry which is in very bad straits.

I would first like to focus on the housing industry because that is where the need for housing is so great and where the problems are also increasing. I think we have to recognize that even with appropriate expansionary monetary policies, we may still have problems in restimulating the housing industry.

There have been very significant structural changes in the housing industry in California. The day of the operational builder is pretty much behind us unless policies stimulate that kind of building. The S. & L.'s today are primarily in the business of taking out mortgages in the housing market. They are not advancing the front money for building housing.

Furthermore, the time period between the actual advancing of a housing plan and the commencement of construction in many instances has doubled for many reasons, some of which are environmental considerations that Mr. Henning and others have talked about and which our Governor is very concerned about.

But all of these things indicate quite clearly that the forecasts for housing in California are not very bright. And to me it indicates, much more importantly for this committee, that in targeting expansionary policy, we have to take a close look at how savings get into investments and especially in the housing field.

The kinds of programs that have been advanced by the Congress, tremendously complex programs as they are put together at the local level, and where honestly the opportunity for skimming the cream off the top by some of the people who put the packages together is so great—this has really undermined the ability of our housing programs to reach low- and moderate-income families. Of course, that is the key answer. That is the answer to the stimulus of housing in California. I think we are reaching the point where we are going to have to look very carefully at how the Federal Government brings savings into the housing industry. It may be that we have to take new and more direct approaches with deficit financing within the budget itself. I think that is terribly critical to examine in terms of its impact.

Beyond that, just commenting briefly on the last question you posed, how do we do this without rekindling inflation? As I pointed out, we do have a period ahead of us in an upswing where the potential for

productivity increases is very great. If we proceed with a healthy rate of growth, we won't have any short-term problems, I think, on the inflationary side, certainly in terms of catchup wage increases.

It is the long term that is critical in dealing with the inflationary problem, and that has to be dealt with in the changing context of the mixture of goods and services in this country and how we allocate our resources and the extent to which, as I indicated, we might be able to provide some assurance that we will deliver on full employment. I venture that in that kind of a ball game, prices and incomes policy is considered in different lights.

I hate to speculate on these things. There are many alternatives that we can look to as the Swedes have used them in active manpower policies. I think that in California we should be able to experiment with some of those active manpower policies if we have an accommodating policy nationally that allows for some experimentation.

But all of this has to take place within a delivery system for insuring full employment.

Chairman HUMPHREY. Yes, well, I have taken the time. I just want to make this observation on my part.

One of the things that has disturbed me is the time factor in everything that we do now. I mean, from the day that someone has an idea, and the money, and the financing, the tools, the equipment, and the supplies. You have accumulated that and then you start to go out on a project to build. By the time that you have been able to get the land, to get the environmental impact statement, get everything, you are ready for social security.

May I say that I really believe that some of the people that draw up these things are people that are so comfortable it does not make any difference to them? I mean, there really is not that sense of urgency. This is what is bothering me as a citizen. I mean, I can sit around here and say, "Well, let us take 10 years to study the impact," because I am comfortably housed. I don't have to worry about it.

Mr. HAHN. You are right.

Chairman HUMPHREY. But we have got something going on here where there is a kind of an elitist spirit, elitism on the top levels, that does not seem to take consideration of the needs of somebody at the other levels. It is sort of like saying that we ought not to grow. Well, that is all right for some of us. I don't need to grow; as a matter of fact, maybe can't use what I have got. Let it spin out for the rest of my life. But what about the other people coming up?

There is this kind of sophisticated snobbishness, elitism, that seems to get a hold of us. "Well, these other folks have got to wait because we have got to save everything now." We have got it saved for ourselves, but we are going to save it a little bit more.

I really worry about this. I see this happening in housing. I see it happening in jobs. I have people in my home State that are just held up for years. Well, we lost a whole housing development in our city simply because we were waiting for an environmental impact statement to a point where there was no end to it. Then they went to court, then they go to court again, then you go to court again. By the time we are through with that, why, there is a whole new technology that says the old housing that you were going to build is something for a

bygone age. The economy changes. The numbers of people in the area change. It is just an incredible situation.

The Japanese are able to put up a powerplant in Japan with a crowded society—and they like to live too; in fact, some of them seem to enjoy living better than we—in one half the time, with American-made products delivered, just the same product delivered as it would be delivered to Minneapolis, Minn. or Los Angeles, Calif., and in one half the time they are able to put it up. I am not talking about man-hours or labor. The same amount of man-hours and labor goes into it. But by the time you have run through the lawyers and the agencies, and the interest groups and the concerned citizens, God only knows what, the electric light bulb has become obsolete. You have to start all over again. Now, that is an exaggeration.

Mr. HAHN. No, you are right.

Chairman HUMPHREY. But it is a fact, for example, on a nuclear plant—and there are real arguments about nuclear plants—but it used to take an estimated 4½ to 5 years to put up a nuclear plant in the United States. Now it is 9 to 10, if you can get it at all. Everybody is for it, except don't put it in my yard.

I am just saying that about our home community. Mr. Peterson here, who is a consultant for our committee, one that has been in the housing area—we have situations where they do not want—you know, we want housing, but not in my town.

Mr. HAHN. We have got a city in California the same way, Petaluma. They don't want anybody to even come in to the community.

Representative ROUSSELOT. They want to put a ceiling on new houses.

Mr. VIAL. May I just add a footnote to your comment? We, of course, face critical decisions in California in the year ahead in this area. We have a coastal plan before us. We have proposals for the mapping of prime agricultural land, to preserve it for future food and fiber needs. These are critical decisions before the people of California.

As the Governor has pointed out, we have to make these decisions in the context of national policies that leave us with high levels of unemployment. As you well know, trying to balance, achieve the right balance in protection of the environment and achieving environmentally sound growth becomes terribly difficult when people are being displaced and jobs for cyclical reasons because of the omissions of Federal policy. The failure to deal with the priorities of the country becomes terribly difficult at the State level to deal with these issues. Yet we are confronted with them. They are going to be very difficult ones.

Chairman HUMPHREY. You are doing planning here in your State, aren't you?

Mr. VIAL. We are certainly trying. Well, the word "planning"—there is planning. But the planning needs to be goal oriented. That is what the Governor has pointed out.

Chairman HUMPHREY. Let us leave the word planning out. You are trying to establish goals. You are trying to establish priorities, accomplishment within a time frame. Is that correct?

Mr. VIAL. That is correct. But we can't leave it to the planners to set the goals. The goals need to be set by public officials, by people in responsible positions, and not the planners. That is where we make our mistake sometimes.

Chairman HUMPHREY. Well, I am a public official and I plan. Let me say that if I vote in Congress for a particular piece of legislation, whether you like it or not, that has a plan to it. It may be a lousy one.

Mr. VIAL. It is your decision.

Chairman HUMPHREY. It is a decision. But, you know, the word—we ought not to get caught up in semantics.

What you are really saying when you talk about coastal areas, you are talking about what you are going to do for agriculture, land use policy—you can call it anything you want to, but that is planning. If it scares somebody, then go in the closet and get scared because that is exactly what it is. Now the only problem is: You are planning and the Federal Government isn't. The Federal Government has \$400 billion that it is going to expend next year, or more, with no goals, no plan, no priorities. The minute that some of us say that we ought to be looking at it to see whether or not it has any long-range effect, or where we are going rather than whether we have just stopped at the curb to take a look at the last parking meter, why, somebody says, "Oh, you are trying to plan my life." Well, I will tell you every day somebody is planning your life. Every time they take taxes away from you they are helping change your life style. Don't worry about that.

All right. I am done.

[Laughter.]

Chairman HUMPHREY. John, go ahead.

Representative ROUSSELOT. I agree with your perspective on planning.

Chairman HUMPHREY. I just don't want to have people run off because the word comes up.

Representative ROUSSELOT. Mr. Chairman, I want to thank this panel for many of their papers that they have presented. I have tried to go through them as you have each talked. I think this has been an excellent panel. I don't agree with each suggestion, but at least they have tried to think out, especially in the area that Mr. Hahn has spoken of, jobs and job creation, which is supposed to be one of our main purposes.

Ms. ELTON. I want to comment just briefly on some of your suggestions because I think they are good. In some cases, we have tried to respond in Congress to some of these ideas. We have not done it too well.

But, Ms. Elton, you talk about the concept of job creation strategies. One of your points is a labor-intensive tax credit, which I assume you suggest be implemented at the Federal level. Could you elaborate on that just briefly?

Ms. ELTON. What I really was thinking of would be the kind of credit which would provide a rebate or reduction of taxes for the kind of capital expansion which adds jobs, rather than the kind of capital expansion that costs jobs.

Taking the most elementary kind of thing, it would be the difference between putting in an elevator that requires an operator or putting in an elevator that is automatic and does not require an operator. That, obviously, is not something that we are going to be doing in this country from now on.

But I was really hoping that we could be moving in the direction of using the tax on the capital investment process, the tax writeoffs that we allow, to encourage operations that make jobs.

Representative ROUSSELOT. So what you are saying to us is that when we provide for various tax credits in the legislative tax bills that we design, we should take a heavy look, on the basis of your experience in San Francisco, at those tax bills that help give an incentive to the creation of jobs, especially in the private sector, because the public service bills usually provide it in the public sector, especially in the labor-intensive industries. Is that your main comment?

Ms. ELTON. That is what I had in mind.

Representative ROUSSELOT. Well, I think that is a good comment. I just hope that Congress will devote that kind of time. I know our Ways and Means Committee spent an awful lot of time on the tax bill, and the Senate decided to change that direction because of the immediacy of the tax credit for this year. But I think your suggestion is a good one, and we probably should take it more seriously.

Ms. ELTON. Thank you, sir.

Representative ROUSSELOT. Supervisor Hahn, I was very much intrigued by your concept in your statement about an employment development project, a pool of jobs. I think you call it the Civil Conservation Corps.

Mr. HAHN. Yes.

Representative ROUSSELOT. Do you want the Federal Government to do that? Or could we have it primarily done maybe with some Federal funding through the county and State governments, or what?

Mr. HAHN. Naturally, we look to the Federal Government for so much. I wish the county could finance it ourselves, but we are up to our limit on—

Representative ROUSSELOT. But, basically, who do you envision would run it?

Mr. HAHN. The Federal Government would finance it and let local governments or State governments implement it.

Representative ROUSSELOT. All right, the State, county or city government would then basically, as you say, in these urban areas have an urban civil conservation corps.

Mr. HAHN. You have so many needs in a city. You have such a tremendous amount of things. I just mentioned a few little almost insignificant items. You talk about the gas company in the conservation field, say, well, if you would turn off your faucet, if it doesn't drip, you could save enough energy to have it for a factory for 5,000 jobs and save the water.

Well, you take the heart of Los Angeles, how many homes that are 50 years or older, almost everyone of them would need some minor repair. Maybe we could create a job corps of—just saving the unemployment. We have 300,000 people in this county, ablebodied men and women, to work—300,000.

Well, just look at the task force if it would go through from house by house helping them with such little handiwork, we call it, the old handyman or handyperson with the women's lib groups, a handyperson, type to say, "Hey, have you got a faucet that leaks?"

Representative ROUSSELOT. Well, do you think your employment groups within the county government—and I know Mayor Bradley made mention of it—would be equipped to handle that kind of direction for that kind of program?

Mr. HAHN. We could be, but, naturally, I emphasize the—

Representative ROUSSELOT. I appreciate the funding problem.

Mr. HAHN. The funding problem, because we are—frankly, John—

Representative ROUSSELOT. But you are talking about productive work. You are not talking about just make-work jobs.

Mr. HAHN. I mean everyone of them could save the energy. You could save gas or water. You could uplift. What are you going to add to the development of America, it seems to me again—I am going to repeat myself, John—but you are going to have the pride that you live in the city. Now there is fear that you live in the inner city.

If the inner city means something to the State and to the National Government, we have to go back to the inner cities—not only Los Angeles, probably in San Francisco or Chicago or New York. Even in Washington, D.C. when I visited there a few times, I go up one of those streets in Washington, D.C., you can see the shadow of the Capitol in the background and see people live there, and you say, “What goes on?”

What a sign that, maybe within the shadow of the hall of administration or the city hall of Los Angeles, they have slums, the very seat of government, both at the city, county and National level.

Representative ROUSSELOT. Well, I am sure you have given a lot of thought to this, and, if you can give us additional ideas on this idea, I know Gus Hawkins is really, kind of in this area on his committee. But it sounds kind of reasonable to me. I assume that we did have the input of the local government, because so many times Ms. Elton herself has mentioned, and others here today, it doesn't do any good if you just set up a Federal bureaucracy, because we, many times, don't have really a full understanding of what the local situation is, and I sure think that your suggestion would be superior to some of the other things we have come up with.

Mr. HAHN. We could do it locally.

Representative ROUSSELOT. Mr. Henning, you struck a real note with your point 5 of your own suggestions of things that could be done where you talk about the Federal Reserve Board, and let me assure you we have made an attempt this year, to get them to tell us more what they are doing and not keep it so much in the closet. We have asked them to come up twice a year and report what their money growth policies and other policies will be so that we understand. We can either disagree or agree.

I suggested to Mr. Burns when he was before the committee this year that maybe he would take some Members of Congress from, say, the two banking committees, each month and let them go and see an open market committee in session instead of keeping its meetings a big mystery.

Mr. HENNING. Good idea.

Representative ROUSSELOT. So, your suggestion is one that Congress is beginning to respond to, but if you have additional ideas of what Congress can ask the Federal Reserve Board to do in the way of public exposure we would like to know, because we have dealt with it partially in asking them to come up twice a year and tell us what they are doing rather than just keep it and make us find out by a filter-down process. So, I think that is a good suggestion.

Mr. HENNING. Yes. The Congress, in 1969, gave the President emergency powers to reduce interest rates, for example. We have been urging him to exercise that authority. I think the whole idea is to bring the Federal Reserve Board more under popular control.

Representative ROUSSELOT. Well, and also the scrutiny of Congress which is supposed to represent people.

Mr. HENNING. I agree.

Representative ROUSSELOT. That is supposed to be one of our constitutional responsibilities, but, frankly, in response to your suggestion, we have delegated away so much authority to them, and it does affect housing. It does affect all these other areas that you people have commented on, and that is a good suggestion. Although I have doubts about a couple others, I think it is one that is really needed.

Mr. Vial, I was interested in your comment about the pursuit of full employment policies, and it requires a sharper focus in your point 6 on the composition of unemployment, and on the specific employment rates to be reduced. Unemployment is a big problem here, and I know the Governor spoke to that in his address, his desire to focus on that area. Now, I know you have just been in office a relatively short time, but have you had a chance to develop some specific suggestions or ideas on how we can do a better job on the Federal level in focusing on the quality of employment programs and what can be done to target some of those specific areas?

Mr. VIAL. Actually, that type of question would be better addressed to Martin Glick, the director of the department of employment development. Most of the programs that we administer in the department of industrial relations are not specifically job development oriented. They are dealing with labor market problems, but we do administer the apprenticeship program in the State of California. That program is lagging badly.

Now, when we talk about targeting of effort, certainly we have a very great interest in trying to reach people who operate in so-called secondary labor markets with a high rate of turnover, low wages and, once they become unemployed, to find it hard to get back in. We are trying to formalize training programs that move people from secondary markets into primary markets where apprenticeship and on-the-job training programs can be cost effective.

Now, I think what we need out of Washington is the kind of discretion in manpower policies, and especially at the State level where we can take some of these priorities, and relate the training that goes on to reach secondary labor markets to get people and establish closer links with some of the training programs in the primary labor markets. This is certainly what I mean by the targeting of the effort in reducing unemployment.

Representative ROUSSELOT. Well, the reason I was very much impressed by your statement at this point here is that so much we dump out into the publicity stream: this is the unemployment figure, but we really don't take time to find out what we can do about that, and what are the areas where maybe we can be more effective in targeting areas where the aid can be most effective, by this I mean that we should ask, What percentage of the unemployment figure represents the key people that should be back in the market as opposed to, for example, persons who may be doing an actual breadwinner out of a

job? The point is that we need to eliminate the discouragement factor that Mr. Henning and others have spoken about and to give confidence to the people that need to be put back into the sector of employment, and I was very much interested if you have ideas or Mr. Glick has ideas of how we can make better use of our figures when we release them each month as to what can be done in some of these areas. I was going to ask the chairman of our committee, who is now my colleague from Indiana, to put in the record at this point some of the projections we have by various people that analyze the job market all the time.

So, I appreciate your bringing out that point and, if Mr. Glick has any comments on your point 6, I know we would like to hear them.

This is a United California Bank projection for the State of California of the relative performance in different industries as to where the potential increases in employment might occur. If more people had this kind of information, they might say, "Well, maybe I can fit into it."

Yes, Mr. Henning.

MR. HENNING. I might say, Congressman, it is all very good if you have to get the economy. Well, back in 1960, Secretary Mitchell came out with that BLS projection of the labor force needs of the sixties; then that was done again in 1970.

It is well and good to know that there will be a 42 percent more demand in the next decade for professional and technical employees. We have had all kinds of data in the projection of needs for the labor force. The service employment field is growing, and all of this. Mr. Congressman, we have had all the projection information that we need, but we don't have the jobs.

You know, those projections are based on a reasonably full employment situation.

Representative ROUSSELOT. Well, I don't think we are projecting full employment at the Federal level.

MR. HENNING. Well, those projects don't mean much. They don't mean a thing. We had the Mitchell survey that everyone got excited about and showed the future of the unskilled worker was doomed. There would be a 22 percent more need for craftsman, 24 percent more need for sales and service personnel. We really have adequate research on the future needs of the American labor market, but we don't have the economy that gets anything moving to provide jobs there. It doesn't do any good to take an engineering course on the basis of that report, if they are laying off, as they did in this State, thousands, of engineers in the aerospace industry.

I really don't think we have a deficiency of information in the projected needs of the labor force.

One last word, if I may, in response to your question. I think it is implied, as we search for areas of need, what do we do? Among other things, we train. We have to train for jobs that do exist. That is where your point is valid. There is no use training for sewing machine operators in New York City where thousands are out of work; no use training anyone to be a musician when every musician's union in the country has 25, 30 percent unemployment. But I think you agree on that.

Representative ROUSSELOT. Absolutely. I think that was the basic point Vial was trying to make, also, Mr. Glick. That each State can begin to do a better job of analyzing what the quality of unemployment is, the kind of capabilities there and where government resources can be shifted to more needed areas of employment. That is the only point—I am not saying that is any easy thing—and it is only informational, I agree. But, if each State government is able to take those figures and apply them to their own State, or if each State government is doing some figures of its own, I think it can be of some help.

Mr. Weyerhaeuser, in your statement about housing, so many of the things you have mentioned are so true, we are going ahead. In the Congress, now, the Senate has finished with its total look at the financial institutions and regulatory bodies of the country that have tremendous impact on the financing needs of housing and others. We do want to make some changes here, and our fine study that you mentioned in your statement is moving ahead in the House.

Chairman Reuss hopes to have it done by the end of March so that we will have a bill on the floor, hopefully to try to free things and eliminate some of the obstacles of which you spoke, especially as they relate to housing.

I was very much interested in your comments about the problems that you faced as one of the delivery portions of the housing industry as it relates to some of the environmental considerations and what that price is that we are willing to pay for some of those things that have been implemented by law.

It is estimated in this State that with all of the new regulations and everything that we have added, the cost now, of a house that cost \$35,000 new; roughly 2 years ago, has increased to \$47,000—a medium-type house that is now produced. Roughly half of that increase has been created, as the chairman has said, by all the rules, regulations and time lag that a builder or others have to go through to get that new house up. And, I think part of that was created at the Federal level, and we have to take a new look at that also. Because the guy that actually pays—Mr. Henning is talking about—that earns a living and has to go out and buy it. And, he is the guy that pays the ultimate cost as a consumer.

And, so I think your testimony on that subject is a clear signal warning that we need to look at a little better because we set some of those standards.

MR. WEYERHAEUSER. It is frightening. It really is. A good part of this—while some part is Federal in this area—a good part is not Federal.

Representative ROUSSELOT. We have a big issue coming up on the ballot right here in this state, as you know, as it relates to production of atomic energy plants for electricity and other things, coming up in this very State where our citizens are going to be asked to vote on whether or not we want to put a moratorium on production of atomic energy plants to produce electricity. This will be an interesting issue because no one really knows what the ramifications are.

MR. WEYERHAEUSER. It seems like all the issues tend to concentrate in California somehow or another.

Representative ROUSSELOT. I have noticed that.

Mr. WEYERHAEUSER. Just such mundane things as can you build a duplex and sell each part of it separately. In Nevada in some areas we are building homes, and we are getting the cost down by 30 percent on that mechanism. In San Diego, we can't do it. So that the density, the whole question of how do you utilize land is very critical. California has got to be the toughest place in the country, I think, to financiers. When you say 3 or 4 years—we talk about the atomic plants taking 9—well, when it takes you 3 or 4 years to get home building, and that is not ridiculous—it does take us 3 or 4 years—you have got highly leveraged money in the front end. You know what that does to the cost of that finished product. It, in effect, doubles the financing costs associated with getting that house in place. That is what is happening. It has happened already.

Representative ROUSSELOT. Part of that increase, that inflationary impact on the average person that goes to buy a new home, is clearly put there by these kinds of rules and regulations, part of which have been created at the Federal level.

Mr. Chairman, I think that this issue isn't just in California.

But, Mr. Chairman, this panel has been very helpful in the really fine consideration they have given to their many suggestions even though we may not all agree with all of them.

Chairman HUMPHREY. I think it is very good.

Congressman HAMILTON, do you have some questions?

Representative HAMILTON. Mr. Chairman, I am conscious of the time problem that confronts the committee. I actually have dozens of questions, because it has been a stimulating panel. I want to personally express by appreciation to them. But I am going to waive those questions in the interest of time of this committee, and just express my appreciation to you for very constructive and perceptive observations this morning. Thank you very much.

Chairman HUMPHREY. Congressman Hawkins.

Representative HAWKINS. Mr. Chairman, also in consideration of time I will waive any questions. I would like to concur in the fact that this has been a very excellent panel. Of course, some of the other members might have been surprised. But I am not surprised because I have known practically all the members of the panel. I think it is one of the best panels that I have heard during my entire experience in the Congress. I think they should be commended.

Mr. HAHN. We don't tell that to all the panels, do we?

Representative ROUSSELOT. No, we don't, as a matter of fact.

Mr. Chairman, I would like to have put in the record with Mr. Vial's statement—Martin Glick, who he referred to in his statement, who is the director, employment development department, State of California—his national work program that he suggests. Could we put that in? It has just been handed to me.

Chairman HUMPHREY. Get me an extra copy. I always like to have one in my folder. We will put yours in the record, John.¹

Representative ROUSSELOT. Thank you.

Chairman HUMPHREY. We will also burden you a bit by, most likely, some communication. We might want to probe you a little further in some of your suggestions. There have been more suggestions out of this panel than any we have ever had.

¹ See "The National Work Program," p. 52.

Mr. HAHN. We are very grateful. I have been on many panels. This has been one of the most interesting ones, where we got new ideas and new statistics. It was a give and take type of thing.

Chairman HUMPHREY. Thank you all. I must say that we had planned on being through with our morning panel by 12:30. But like most plans, the time period gets involved. We have another group that, for reasons of their own time, could not appear this afternoon. I am going to ask my colleagues if they will stay with us an additional 15 minutes.

I will excuse this panel with an expression of thanks.

We have Mr. Dan Curtin, Mr. Arthur Carolan, Mr. Curtin is with the California AFL-CIO; Mr. Arthur Carolan, secretary, Joint Apprenticeship Committee, Plumbers Local 78; Jim McLaren, a plumber, unemployed; and Pierre Mandel, the Coordinator, Full Employment Committee of the Coalition for Economic Survival.

All right, I am sure you understand the constraints of time. But we wanted your participation, and we thank you for taking the time to come.

Now, how would you like to proceed? Shall we proceed with Mr. Curtin first?

Mr. CURTIN. Fine.

Chairman HUMPHREY. I only listed four and I see several more. Mr. Mandel, I understand you wanted to make a statement as well. We will start with Mr. Curtin.

STATEMENT OF DAN CURTIN, CALIFORNIA AFL-CIO, LOS ANGELES, CALIF.

Mr. CURTIN. Fine. I was asked to give not so much a statistical analysis or that kind of rundown, but just more or less a feeling.

I work with a lot of young adults in the political arena. We try to involve people in the political process. Now, I am not speaking for adults in this thing. I know that the crisis of unemployment is a lot worse on the adult who has, by this very nature, more responsibility. When adults pass middle age find themselves unemployed, it can be a very very powerful morale crisis among other things.

I am speaking specifically of young people and the kind of problems they face.

We have been asked throughout the country now to look at a new political attitude that is coming around, something of lowering our expectations. I think it is unfortunate. When I think of young people today, college students studying to be some kind of engineer, or a bachelor of arts or something, I think it is not unreasonable that a college student should expect a job when he gets out of college that is reasonably close to his field of study. This has been discussed and hashed around in the concept of training, and being educated to proper job classifications. I don't think that is an undue expectation.

I think a young worker today, perhaps married or with a child, a kid on the way—I don't think it is unreasonable for him to expect a job. It may be unreasonable for him to expect a boat or a cabin in the mountains, but not a job. Maybe he should be able to expect to be a homeowner in the near future, at least plan on that. I don't think these are unreasonable expectations.

You look down at south central Los Angeles where we have much different conditions, much worse conditions, in this. These people have it more dismal. Young people in this area are much more unemployed than other areas. They have a much more dismal outlook upon what their future is. I don't think it is unreasonable to have some of these young people expect to improve their conditions in life through a job. And the answer to this really is jobs, jobs that will give them money, give them the ability to plan their lives a little bit more than they have had up until now.

You mentioned earlier the Full Employment Act of 1946. If I understand that properly, it is not only to provide jobs but it is for full utilization of our natural resources.

Chairman HUMPHREY. Right.

Mr. CURTIN. OK. I see it has failed not only in creating jobs, but it has also failed in utilizing our natural resources. I think our greatest resource is human beings.

Today we have many bright, active young people who are not being utilized in any capacity whatsoever, are on unemployment, could be utilized to help society in many ways. If it is just a project, as Mr. Hahn suggested earlier, to improve housing conditions for houses that already exist, they are not being utilized at all.

What I find in my job is that many of these young people have been turned off to the political process. They don't see government as having the ability to affect their lives positively. This is unfortunate because it is a vicious cycle. The very people who need to participate in the governmental process and our voting process are the ones who are beginning to say that the government cannot help them, or does not help them, and they don't see any chance of this.

For the Full Employment Act to make sense, it has to be a utilization of our manpower. To me, that is jobs. It all comes down to jobs basically.

I would like to see young people who are now tax burdens, become taxpayers. If you are talking about efficiency in Government—you mentioned this earlier, Senator—it is more efficient to take care of the problems we face today, take care of them today rather than shuffle them off for next year or 10 years from now. They become more and more expensive if they are held up.

I think there is a statistic, and I believe you mentioned it yesterday on television, that for every 1 million people who become employed who are on the unemployment roles now, the Government saves \$16 billion. I believe that is correct.

Chairman HUMPHREY. That is the cost in terms of the cost to the Government, the cost of lost income, the cost of revenues.

Mr. CURTIN. Right. To me it seems like common sense, in terms of efficiency and in terms of human values, giving people a sense of productivity in their lives. It is a very important thing to have. We should have jobs, and the Government should be an employer of last resort. It should go into deficit spending, because if we are going to cut into the budget deficit at \$16 billion a clip for every million people, we are going to have to kick that off with some kind of major investment. That is the way I see it, and that is the way unfortunately, I think, a lot of people see it, a lot of young people particularly.

Chairman HUMPHREY. Thank you, Mr. Curtin. That is a very excellent statement.

Mr. Carolan, I am not sure I pronounced that correctly, Mr. Carolan.

Mr. CAROLAN. That is right, Senator.

Chairman HUMPHREY. You are with the Plumbers Local 78?

Mr. CAROLAN. Yes.

STATEMENT OF ARTHUR CAROLAN, SECRETARY, JOINT APPRENTICESHIP COMMITTEE, PLUMBERS LOCAL 78, LOS ANGELES, CALIF.

Mr. CAROLAN. I am also the secretary of the joint apprenticeship committee, in which we have 110 apprentices registered in our apprenticeship program. And we have 55 of them out of work, and been out of work for almost a year right now. So, you can imagine the feeling that we have in our local.

We have 1,000 members in our local, and we have 380 of them out of work and have not worked since last April, last April in 1975.

It is kind of depressing when your members call up and they lose their health and welfare benefits because they have not worked 600 hours this year to cover this year's cost. It takes 600 hours to cover our members in our health and welfare, and we cannot cover them anymore, because they have not worked enough time, they have not contributed enough.

We are just in a state of no growth or no work at all, period. And, we have had apprentices that we have dropped out of the program. Voluntarily they have dropped out. They have been working in pizza parlors, or doing something besides going to our school, which they have to go to twice a week.

The thing that we are talking about is that we are an inner city local union that takes care of the inner city problems. We are not able to take care of our minorities, we are not able to take care of anybody, period, as far as our work situation, our job opportunities, are concerned.

We have people working in Texas right now that we have sent down there. They leave their homes here, go to Texas and send checks back if they are working down in Texas, or Billings, Mont.; or Portland, Oreg.; in the shipyard up there or Pascoe, Wash.

Any place that we can put people to work, we are on the telephone trying to put them to work, as far as our membership is concerned, and we still have 380 of them out of work.

You can imagine the impact this has had. We carry them on reduced dues, at \$8 a month reduced dues, if they don't work at all.

We are really down at rock bottom. We have people that go to the unemployment line, qualified mechanics, and they stand there in line for a while, and they say, "No, I am not going to do that, that is a loser's line, right there." That is a loser's line. They are going to do something else.

Chairman HUMPHREY. And here, just a few years ago, we were—because the charge was they would not train, and so forth, so you entered into a big apprenticeship program, and I understand what you are saying here is that a substantial number of your apprentices are without any chance to do any work.

Mr. CAROLAN. They are not working at all, and we do not have the work for them, so they are not going to go to school, they are not going to get the on-the-job hours, so they just—they are in a state of limbo, and we just hold them that way.

We are training welders right now in our school. We have 45 welders, or 45 journeymen, that go to school 8 hours a day.

We are training Heliarc downhill welding, because there is a demand for welders, but we are financing that ourselves, out of our own trust fund, or out of our own training program, but we have people that are standing in line right now, trying to learn to be a welder so that they can go to work someplace in the United States. That is what we are in the process of doing, or we have been doing, for the last 6 months.

Chairman HUMPHREY. Therefore, I imagine headlines that tell us that recovery is here, or things are just coming along fine, that doesn't set so well.

Mr. CAROLAN. That doesn't set very good in the building trades, as far as we are concerned, Mr. Chairman. That is all I have to say.

Thank you.

Chairman HUMPHREY. Mr. McLaren.

Representative ROUSSELOT. Mr. Chairman, may I interject just a moment?

Chairman HUMPHREY. Yes.

Representative ROUSSELOT. I was interested in your comment that you thought that part of this problem was related to a no-growth situation. Could you elaborate on that?

Mr. CAROLAN. Well, yes, I can, Mr. Congressman.

What we are talking about, I think no growth is that we don't have any building going on period. Every time—we are talking about sewage treatment plants that we could use in the United States, water treatment plants that we could use in the United States, powerplants that we can't use out in the middle of the desert because somebody says that the rattlesnakes are going to die off. I am talking about Vidal Junction down there, where they have these impact studies saying that you cannot build a powerplant down there in the middle of the desert.

This is the type of thing that we are faced with, and our growth has got to start with—in the building trades.

Representative ROUSSELOT. They talk about endangered species of rattlesnakes, and yet we have endangered species of our own citizens.

Mr. CAROLAN. They are walking around on 2 feet.

Representative ROUSSELOT. Yes. That is a good point.

Chairman HUMPHREY. Mr. McLaren.

Mr. McLAREN. Yes, I don't want to take up too much of your time, Senator.

Chairman HUMPHREY. Mr. McLaren, you are one of the unemployed plumbers?

Mr. McLAREN. Yes, I am one of the unemployed plumbers.

**STATEMENT OF JAMES McLAREN, PLUMBER, LOCAL 78,
ARCADIA, CALIF.**

Mr. McLAREN. I signed the out-of-work list last May 27, so that will be a year come May, and I haven't been able to go to work out of local 78 since I have been unemployed. And, it is one of these

things: I have got a wife that can partially work, she is a nurse, and she has helped out tremendously with the family.

I have got four girls and one boy, and even the kids have helped out. They baby sit and they buy their own clothes, and stuff. They help out with the family.

I don't like it too much. I don't think any man likes to see his wife go to work and be the breadwinner, so I would like to see if there could be something done.

It has been said on this floor this morning that housing is the thing to do. Get it back on the floor and get this thing rolling. I think it would be just out of this world if we could get these guys to work. It is just ridiculous that these members, as brother Carolan says, they have got to go out of State and go to work.

They are not making any money. They are lucky—they are working out of State, they are keeping a home out of State and they are keeping a home in the State. They are sending money back to their families. It is not worth it for a lot of guys to do this.

You live here in California, you want to go to work right here in your own State. You don't want to go to work outside. So, Senator, that is all I would like to say.

Thank you.

Chairman HUMPHREY. Well, let me tell you, we appreciate your statement and look at you and see the feeling of frustration that you have. It is very touching.

Mr. Mandel, do you want to pull the microphone over?

Am I correct, you are the coordinator of the Coalition for Economic Survival?

Mr. MANDEL. I am coordinator of the Full Employment Committee of the Coalition for Economic Survival.

Chairman HUMPHREY. Yes, sir.

STATEMENT OF PIERRE MANDEL, COORDINATOR, FULL EMPLOYMENT COMMITTEE, COALITION FOR ECONOMIC SURVIVAL, CANOGA PARK, CALIF.

Mr. MANDEL. We are a little disturbed about the nature of the hearings that are taking place and mainly take testimony of people who are in the employ of the Government or representing the interest groups, but are basically thinking nothing to solve the problems of economic crisis.

We are speaking in the name of people that we go directly to, the unemployed, welfare people. People are the victims of this crisis, and they feel that the priorities that have to be reshaped are not a question of public sector or private sector, but people versus profits. The people that are making profits out of the economic system and of the economic crisis, and the people that are victimized more by the economic crisis.

Now, we recently were lobbying with Congressmen on a recess here in California. We visited Congressman Corman, Congressman Bell, Congressman Anderson, Congressman Danielson, and Congressman Hanford, and one of the reasons we visited those Congressmen was precisely to stress the plight of the unemployed and to present them

with ballots that we are circulating and we are having the unemployed tell us what they need and what their condition is.

We have presently 5,000 ballots that talk about the immediate problems of the unemployed, like the question of losing a house, and the need for a moratorium on debts that would protect them from that kind of a plight, or the question of protecting their medical insurance, their pensions, when they lose a job.

These are vital issues that are not being dealt with.

Now, most of the Congressmen tell us about the difficulties in Congress, about the fact that the power of veto of the President that is supported by the Republican and Dixiecrat Coalition, is preventing them from passing that kind of legislation needed for the people.

But what we want is—we want from this hearing, as well as other hearings—for people to come forth like Congressman Hawkins, and like people who can stand up and fight for a basic radical change that will provide what is called, for instance, in Congressman Hawkins' field, a budget that will be completely geared toward the purpose of providing jobs and full employment, and budgets that will take all the resources from the people and give it back to supply the needs of the people.

We would like to see this kind of an attitude in Congress, where people stand up and they actually help to get the people together in the back of that kind of a legislation, that kind of a program, and I would like for you to hear the other members of our panel, and this is Gregory Binion that works with people, first-time job seekers.

Chairman HUMPHREY. Gregory Binion.

Mr. BINION. Binion, yes, that is correct.

Chairman HUMPHREY. We will get your full name and address after the hearing.

Go right ahead, Gregory.

Mr. BINION. OK.

STATEMENT OF GREGORY BINION, COALITION FOR ECONOMIC SURVIVAL, LOS ANGELES, CALIF.

Mr. BINION. I want to first of all thank you for being able to speak before your committee. I wasn't prepared to come into the meeting to speak. I was coming here as a job assignment. I work for the neighborhood adult participation project.

I am a member of CES, and they asked me to speak in their behalf, so I will.

As a worker for the neighborhood adult participation project, we run across a lot of people who are feeling the crunch in a way that I think most members of the committee, all of the members of the committee, and probably most of the people who have testified at the committee today, are not used to, and to them, the question of unemployment is a little bit more immediate, and the solution to that problem of unemployment is a little bit—comes around a little bit quicker than some of us tend to think.

Now, what am I talking about? I have sat through most of the session this morning, and I have heard a lot of talk about the fact that the Government is paying millions of dollars for welfare, and I have

even heard a couple of people say that a lot of people would rather be on welfare than to work for a job.

Now, that is not the predominant sentiment, I am sure.

Chairman HUMPHREY. No, I think it is very clear that the evidence was to the contrary; that there may be some. There are always some.

Mr. BINION. Yes. Well, I think that that tendency is important, not because it was expressed here today, but when it comes around to voting time, when it comes around to passing legislation, it provides for the basic needs of our people, for the American people, that this attitude and this concept becomes prevalent. I think that this is reflected in some of the programs today.

I think that, when it comes to the—like Pierre was talking a few minutes ago about private enterprise, and I have heard the Senator voice his support of private enterprise, and I think that that is all very well, that is all good, but I think that one of the reasons that America is in the situation that it is today, is precisely because we did not put any kind of restrictions or guidelines on free enterprise; that we did not say that General Motors, for instance, when the Vietnam war was over, should put people to work on peaceful projects. We did not say it to Armalite, we did not say it to any of these industries: Now you should have a transition period and go to a peacetime economy.

All we said was, OK, we are going to employ these thousands of workers making bombs and guns and guided missiles and different parts that are not useful in a peaceful economy, in a peacetime economy.

We are a country that has historically needed a war to get us through, and I think that sooner or later, somebody in this country is going to have to get enough guts and enough support behind them to begin to challenge the power of private enterprise.

This is going to be a crucial question, because you cannot talk about having full employment in a country where it is not beneficial—in an economy where it is not beneficial; where it is, in fact, inflationary. The reason maybe it is inflationary is because this country is run for profit, and not for meeting the needs of its people.

OK. To sum it up, what I am saying is, that if we are not willing to challenge that power, if we are not willing to challenge the power of free enterprise, or even question its validity in the context of today's problems, then we have no alternative than to provide programs, social and economic programs, that work.

So we should not talk about cutting back the budget for CSA next year. We should talk about increasing that budget. We should talk about getting more poverty workers out there.

One of the things that we have to recognize is that the welfare system in this country, the medical system in this country, all of these systems that are not working, they are not geared for this type of economy. They are not geared for this type of situation, so maybe we should look into that.

For every 1 of the 900,000 people that Mr. Hahn said was on welfare, I can think of a whole lot more that need to be on welfare and can't get welfare.

You know, so I think that we ought to talk about expanding these agencies, and I don't think that the two are mutually exclusive, and I don't think that we should look at them that way.

Chairman HUMPHREY. Thank you very much.

You have another gentleman here.

Representative ROUSSELOT. Could I interject for just one quick moment.

Chairman HUMPHREY. Yes.

Representative ROUSSELOT. I want to assure you that the overwhelming majority of people in Congress today are very concerned about us being geared to a war economy, and that's why we passed the bill last year that puts restrictions on the power of the Presidency to take us into wars without the specific consent of the Congress.

I don't want to speak for anybody else, but I think the overwhelming majority of Congress is tired of going to war to save the country. Unless it is some crucial measure to save our country, or some good ally, we are just tired of putting up the money for providing the wars around the world and I think that is why we are taking a hard look at what the Congress wants to do in the way of providing any money in Angola. For what? We are going to debate that when we get back, and I think the issue that you pointed out is a good one.

We don't want this country based on a war economy all the time. It is wrong, it has not worked, except when we have to maybe save the world from the Nazis. Unless it is that kind of an issue, we are not going to be in a war economy.

Isn't that right, Mr. Chairman?

Chairman HUMPHREY. Well, I hope that is right.

STATEMENT OF HUMBERTO CAMACHO, UNITED ELECTRICAL WORKERS UNION, LOS ANGELES, CALIF.

Mr. CAMACHO. I am Humberto Camacho from the United Electrical Workers.

Senator, we are now affiliated with the United Electrical Workers Union, and we have our experience in the electrical industry and mostly in industrial workers.

That was one of the reasons that we geared our program to coincide with the people in the community, and we have been working with different coalitions, including coalitions with different unions, in order to bring to the attention of the Government, one, the situation of unemployment, which is ridiculous in the wealthiest nation in the world; the second thing that we brought up, and we would like to bring to your attention now here, is one solution, an immediate solution, that can be applied for alleviating part of the unemployment, and this is to enact legislation and to establish the 35-hour workweek with a reduction in pay, that would bring thousands of workers back to the payrolls.

You can plan all the problems that we have and the solution to those problems by different programs, but if the people don't have the jobs, it is impossible to cope with that problem.

And we say, because we face negotiations with the electrical industry this year, that we have tried, tried in different negotiations, to start the 35-hour workweek, and without success, because it is not convenient for the industry.

And the other point that we bring to your attention is, you know, to stop the runaway industries, stop, you know, the exporting. It is against the principles that we have.

We are trying to clean the environment, and yet companies are allowed to take raw materials, bring them back, put the labels, take them back, and all this fuel that is just wasted and polluting the oceans, and for what? Just for the purpose of getting more profits.

I think that when you get back and try to get those solutions, I think one of the points on our agenda will be the immediate enactment of legislation of the 35-hour workweek, with no reduction in pay.

We have several other problems, but that, you know—once you have people back to work, I think there will be lesser problems, that you can cope, and you can get some of the problems straightened out.

The big military budget has been bothering us a lot, and I agree with the Congressman, you know, that we do not need to spend millions or billions of dollars to go out and get another war started when we can create peaceful jobs in the country.

One of the things that we will say that will open the road to the full employment bill that we have been trying to get to the communities and to the working people throughout California, and some of the States in the Nation, about full employment with so many meaningful goals—to achieve in a certain limit of time, at least part of it, and to reduce the unemployment rate.

It is a shame. It should be no more than 2-percent unemployment rate in the United States, and this is one of our positions, and we urge it strongly to this committee. To make a report and try to pass some legislation that at least will get us through this period by enacting legislation for the 35-hour workweek, and restrict some of the ridiculous inflationary prices that go on with no regulations. You get it from the big chains, you get it from the small stores, and the small communities, so you go and buy a pack of cigarettes in the ghetto places and it is about 60 cents per pack.

There are all kinds of things that you can do, and you can provide jobs by creating those agencies to regulate and really check into the abuses that are permitted with the working people, the one who has the least.

One more point. That the big corporations should pay their fair share of taxes and the employee, the average family man that cannot afford, should be excluded from taxation to a certain limit. I think you have some recommendations that you made in the past, and I agree fully with that. People who have enough money shouldn't be taxed more than the corporations, and this is what we want you to hear.

Chairman HUMPHREY. Thank you. Now, I believe we have one additional person.

Mr. CAMACHO. Yes; Larry Gross, coordinator, from the Coalition for Economic Survival.

STATEMENT OF LARRY GROSS, CO-COORDINATOR, COALITION FOR ECONOMIC SURVIVAL, LOS ANGELES, CALIF.

Mr. GROSS. My name is Larry Gross, and I am the cocoordinator of the Coalition for Economic Survival.

As you are aware, unemployment is a vicious disease that is eating away at the life and breath of our country and its people, and offi-

cially, they say unemployment is 10 percent. I am sure, if you go a couple of blocks away from where we are now, unemployment rate is closer to 50 percent.

Now, this is an election year, so it is very convenient for a lot of people to talk about unemployment, the No. 1 thing on people's minds.

The thing people are not talking about is how is full employment going to come about? Who is going to fund it? I have heard talk about putting money into the private sector of this country, instead of the free enterprise system, but does free enterprise really exist in this country?

I don't think it does, and I don't think most people do think that it exists, when you have corporations, when you have 4 corporations controlling about 90 percent of the line of industry. You look at steel, you look at the oil industry and just all the way down, and this is the cause of inflation and high prices, which is another thing that is eating away at people.

Now, to fund full employment, I think it is very obvious. We have got to look where we are wasting the money, and the one thing that is outstanding, is the military budget. It's the highest military budget and it will go on forever.

Now, Congressman Rousselot, you say that this is not a wartime economy, that we don't want a wartime economy. Well, if it isn't a wartime economy, how come we have such a high military budget? How come Representative Les Aspen said that a study he made, and a study various peace organizations made, that—for every \$1 billion you take out of the military budget, you can create about 100,000 civilian jobs, peacetime jobs; jobs for building schools, for building low-income housing, for cleaning up the environment, instead of building the B-1 bomber, which is a waste, which is going to be obsolete before it gets off the ground.

These are the things we have to talk about. We have got to talk about funding full employment. We have got to talk about the 1 or 2 percent that the large corporations are paying in taxes, getting all the loopholes.

Arco—Mr. Thornton Bradshaw, I see, is going to be speaking here—recently made a deal with Southern California Gas down here, where they are going to be extorting \$1 billion from the people here, to finance Arco, the second largest corporation in this country, so we can have gas in our homes. Arco says, you do it my way, or you are not going to get the gas.

Now, it's up to our politicians. That is what the people are looking for; the politicians to stand up for the rights of the people, to stand up to the large corporations and say, wait a minute, we have got to work in the interest of the people. People are starving. People are out of work, and they have nowhere to turn. Their unemployment is running out, and they don't know what to do.

Now, it is up to you, up to all of you and all your fellow people in Congress, to do something about it. We don't want money going over to Angola, we don't want money being wasted on a military budget. We want money for jobs, public jobs, public jobs to build schools and housing, et cetera.

This is the richest country in the world. It's the richest country that has ever been seen on this face of the world, and we have the resources to provide these jobs, to provide a better way of living for all people.

Now, there are some immediate things that Congress could do, things that are needed in the meantime, and that is extension of unemployment insurance compensation. There should be a bill introduced which would guarantee people unemployment for the duration of their unemployment.

There should be a bill introduced for first-time jobseekers. How about the people coming out of schools, they don't have a place to go. There are no jobs that are available, and they can't go on unemployment.

Do you want to know why your crime rate is going up? Well, if you are out on the streets and you don't have a job, or no income or unemployment, well, you know, the next thing to do is beat someone over the head next to you who does have something. It is a matter of survival, and people have to survive, and the resources are here. It can be provided for the people, and it has to be redirected into that.

Our national priorities have to be turned around. It has to be turned around for the needs of the people, not for the large corporations, and we call on you to do that.

Thank you.

Chairman HUMPHREY. I thank you very, very much.

Mr. MANDEL. Senator Humphrey—

Chairman HUMPHREY. Yes, Mr. Mandel.

Mr. MANDEL. Besides being a coordinator, a full employment coordinator of CES, I am also an unemployed steelworker, and I would like to tell you now a little bit what happens in this area with the steelworkers.

We have, for instance, several plants that closed down in the Los Angeles area. There was an American Can plant in Santa Fe Springs that kicked out 900 people from their factory. There is a plant in Torrance, a Bethlehem plant, it is a manufacturing plant, that has 150 people that is about to close up and kick those people out. A big rubber tire plant was closed up about a half year ago.

Now, this is unpermissible, and I think that Congress must do something about it. If the private sector cannot provide the work for the people, then Government has to step in and make provisions for public ownership of those industries that cannot provide the functioning of their plants and the providing of jobs in existence for the people.

And for instance, today, when we talk about priorities, nobody brought out the fact that there is going to be about 1½ million people that will be kicked off the rolls, the unemployment rolls, and have no extension of unemployment compensation.

In the lobbying, we got a promise from Congressman Hannaford that he will introduce such a bill as soon as he goes back to Congress, and we hope that this will be the No. 1 priority of Congress when they go back; to provide the unemployment compensation to continue for the people who are completely destitute. When they are kicked off the rolls, they have no place to go.

Chairman HUMPHREY. We have, I want you to know, made special note of that in our report to the committees of the Congress, and I am sure that you will find that there will be legislation introduced, and I hope vigorously supported to help the people.

Mr. MANDEL. We would also like this ballot to be introduced, as a sample of what we are doing, into the record.

Chairman HUMPHREY. Without objection, it will be printed in the record of our hearings.
 [The information referred to follows:]

10 MILLION UNEMPLOYED MUST BE HEARD

The unemployed people on welfare, housewives and young people without jobs.

We all need jobs or income. We all need to provide for our families and be able to pay our bills and take care of emergencies.

WE DON'T HAVE JOBS AND IT IS NOT OUR FAULT. BUT IF WE SPEAK-UP TOGETHER WE CAN WIN FULL EMPLOYMENT WITH DECENT WAGES.

Everybody talks about the 10 million unemployed, but nobody asks us what we want. Here is a chance to vote for what we need.

These ballots will be presented to elected representatives to make our needs into laws. Let's make the politicians produce.

We have the power of 10 million people when we get together.

BALLOT

VOTE FOR WHAT YOU WANT

- 1 Do the bill collectors bother you?
 Would it help to POSTPONE PAYMENT OF DEBTS (A MORATORIUM) FOR PEOPLE WITHOUT JOBS for the entire period of unemployment and a year after?
 YES NO
- 2 Are you worried about your ability to pay your rent or your house payments?
 Would an IMMEDIATE FREEZE ON EVICTIONS AND FORECLOSURES HELP?
 YES NO
- 3 Do you have growing children and do you have to find the money for milk every day?
 Would FREE MILK FOR UNEMPLOYED HEADS OF FAMILIES with growing children help?
 YES NO
- 4 Are you handicapped by the lack of a car or the high cost of gas when you look for a job?
 How about FREE BUS PASSES FOR UNEMPLOYED PEOPLE?
 YES NO
- 5 Have you lost fringe benefits such as medical and life insurance or your pension plan?
 Should there be a LAW TO PROTECT THESE BENEFITS THROUGH GOVERNMENT PAYMENTS?
 YES NO
- 6 How long can you go on with present unemployment payments?
 Shouldn't all unemployed get MAXIMUM PAYMENTS WITH A COST-OF-LIVING ESCALATOR FOR THE DURATION OF UNEMPLOYMENT?
 YES NO
- 7 Add your own suggestions we may have missed.

LET'S GET TOGETHER . . . with others to make the politicians produce.

Name _____
 Address _____
 City _____ Zip _____
 Phone _____
 Union or Industry _____

ISSUED AS A PUBLIC SERVICE BY FULL EMPLOYMENT COMMITTEE OF THE COALITION FOR ECONOMIC SURVIVAL, 5889 WEST PICO BLVD LOS ANGELES, CALIF. 90019. FOR MORE BALLOTS FOR YOUR FAMILY, FRIENDS, UNION OR CHURCH, CALL 833-0241.

Labor Donated

Chairman HUMPHREY. I want to thank you. I appreciate your taking the time to come with us here today. I want to assure you that we try to make these hearings as broad as possible. In every community we have been, we have had a number of people who have suffered from unemployment appear with us and speak to us.

We have a limited amount of time. We come here. Mr. Hamilton is from Indiana and I am from Minnesota, and we have serious problems in our own States, but we recognize we are Congressmen of the

United States, and we know that we need to listen wherever we can go.

So your testimony does not fall on deaf ears, nor on cold hearts. Some of us, and I think all of us, are deeply concerned. It's a question of how we best do it, and we will not forget what you have had to say.

I thank you very much.

AFTERNOON SESSION

Chairman HUMPHREY. Let us go on the record. Is Lieutenant Governor Dymally present? Governor Dymally; we want to welcome you as the Joint Economic Committee resume its Los Angeles hearing. It is a particularly great personal pleasure for me to welcome as our first witness in this afternoon session, the Lieutenant Governor of California.

Following Mr. Dymally's testimony, we will have a panel of three witnesses. We are going to change our panel participation. We will hear the panel on environment technology after Lieutenant Governor Dymally and we will move the panel on unemployment problems in the Western States as the final panel of the afternoon session.

Mr. Dymally, as the Lieutenant Governor of one of the largest States and I believe the most populous State and a State in which the unemployment rate is nearly 10 percent, you are familiar on a day-to-day basis with the problems created by the recent disastrous recession. You have had a deep- and long-standing interest in problems of economic development and employment as a former member of the legislature of California and as a concerned citizen and I understand that you are now serving as chairman of the Commission for Economic Development. Speaking for the committee, we are very pleased and honored to have you here and we will welcome your testimony.

Lieutenant Governor DYMALLY. Thank you very much, Senator.

STATEMENT OF HON. MERVYN M. DYMALLY, LIEUTENANT GOVERNOR, STATE OF CALIFORNIA, AND CHAIRMAN, COMMISSION FOR ECONOMIC DEVELOPMENT

Lieutenant Governor DYMALLY. Members of Congress, I have appeared here today in my capacity as chairman of the Commission for Economic Development. And if I may reminisce a little bit, it was in this place that I appeared before the post legislative body which was chaired then by Assemblyman Gus Hawkins some 14 years ago, and so it is a great pleasure to be back here in his presence to talk about the economy.

President Calvin Coolidge made the profound observation that when people are out of work, unemployment results.

Unfortunately, much more than unemployment results. I might add that I wish to enter into the record this statement, which is summarized here, and I am reading the summary statement.

Chairman HUMPHREY. The whole text of your statement will be printed.

Lieutenant Governor DYMALLY. Unfortunately, much more than unemployment results. As the committee knows, chronic unemployment and underemployment lead to rising rates of murder, suicide,

mental illness, physical illness, family breakup and to a withering-away of confidence in Government.

We are talking about more than jobs here today. We are talking about the very soul of this Nation and whether it can survive as we have known it.

I would like to deal with three subjects here today:

First, I will try to document the dire need to establish full employment policies as our first economic priority. There has been a lot of talk about full employment and many people seem to regard it as a radical proposal. In my judgment it is a very moderate to conservative proposal because all we are talking about here is putting people to work. And the alternatives are unemployment insurance, some \$600 million added to the budget this year in California; just imagine what could have happened if we were able to put that money into the economy.

Second, I want to outline the kind of economic planning we need, and

Third, to go into how public service employment fits into this, on both an immediate and longer term picture.

Now, let us look at where our current conventional economic thought and social philosophy has taken us:

We rely on economic theories and Phillips curves which say we can't have both inflation and high employment, but we have both just the same.

We have bureaucrats who plan our rate of unemployment—supposedly to help the Nation's well-being—even though studies show that joblessness is directly related to the rate of mental disorders, violence, alcoholism, certain physical illnesses, family problems, child abuse, delinquency and even to the death rate itself.

While the administration is refusing to use Federal funds for creating jobs, we nevertheless spend \$20 billion for unemployment insurance—the largest increase in the Federal budget each year.

A few more results of our current economic and social theories—One, we are now talking of a decade of high jobless rates.

We witness the gap between the haves and the have-nots increasing each year since 1968, and continue to follow taxation and monetary policies which—divorced from full employment goals—consistently fail to close the gap.

We see the Harris poll showing that the percentage of Americans feeling "What I think really doesn't count much anymore" rising from 37 to 67 percent since 1966.

We follow economic policies that see us lose an estimated \$50 billion in gross national product as well as \$14 billion in uncollected taxes, with each 1-percent rise in unemployment.

In sum, we see our Nation's economic soul literally tearing at the seams, with echoes in crime and illness rates and other social indicators.

State and local governments are expected to lose between \$20 billion and \$25 billion from the economic slump during the fiscal year 1976. But they must share some of the blame.

California figures show that, in 1974-75, our 50 counties received \$640 million in revenue sharing funds, yet none of it was spent on job creation, job training, or economic development. Worse yet, almost

\$290 million went unspent. That is enough for over 30,000 jobs. I hope the Members of Congress take note of this fact. I will repeat again that revenue sharing in California, in the 50 counties, was not used for any economic development.

To reestablish hope, we must establish full employment as our highest economic and social priority. We must begin work immediately to reduce officially acceptable unemployment levels to no higher than 3 percent—and make certain we redefine this so that when it is 3 percent nationwide, it is not 10 percent for women or minorities or senior citizens or young people.

We must ban forever planned unemployment to combat inflation.

I add my support, of course, of the Humphrey-Hawkins full employment bill to that expressed earlier by the representatives of organized labor, with the AFL-CIO Policy Committee's statement of December 5, and with members of the National Full Employment Action Council.

But I fully recognize it is not enough to passionately call for full employment. This State, this Nation, must rationally, intelligently, and logically plan toward full employment.

Planning, particularly economic planning, is not popular with the public these days. And no wonder. The average person suspects planning is something done "to" people and not "for" or "with" people—particularly when statements of the need for planned unemployment emanate from the White House.

Planning is often sorely inadequate. In our study as chairman of California's Economic Development Commission, I find we don't even know how changes in the national economy affect California.

Planning must have goals that we work toward. We must plan for full employment by saying "it can be done" and then setting out to prove that it can be done.

And all segments of our society must take part. The National Economic Planning Board as outlined in Senate bill 1795 and the local planning councils as outlined in the House of Representatives 50 and Senate bill 50, would both be a quantum leap forward from the mystical planning mechanisms we are saddled with today.

In sum, economic planning, if it is to be compatible to our society and if it is to reduce, not exacerbate conflicts, should: first, have clearly defined goals; second, proceed with new sets of questions and considerations; and third, and most important, involve the public. If it doesn't, it will fail, as planning usually does today.

And finally, as to public service employment, I fully agree with the emergency jobs program outlined in the 1975 midyear review of the economy, published by this joint committee. But on a longer range, we face real problems.

All service providers are coming under attack—sanitation workers, teachers, students, police, firemen, and transportation workers. We see scathing attacks on our largest city and its free public education and services by the very people who themselves, used and profited from these services—joined by a strange chorus of liberals and expoverty warriors.

We must never cease to point out that, despite their shortcomings, the Great Society programs reduced the income gap and expand opportunities for the have-nots.

In closing, let me say that, just as the civil rights coalition of the sixties brought civil rights to disadvantaged Americans, so we need a new economic coalition to bring economic justice to America in the seventies. Without it, these three goals will remain unfulfilled, and things may get pretty grim. Thank you very much.

[The prepared statement of Lieutenant Governor Dymally follows:]

PREPARED STATEMENT OF HON. MERVYN M. DYMALLY

On election day, 1974, over five and a half million of this country's official labor force was unemployed. While the national unemployment rate stood at 6.6 percent, California's unemployment rate was 8 percent, with 716 thousand persons officially unemployed.

During this past year economists, forecasters, and other leaders have assured me and the rest of the country, that we have "bottomed out". We are informed with instructional clarity, and a banker's irresistible power of conviction that at long last, the worst is over, and indeed, "we are pulling out".

Thus fortified, we arrived at November, 1975. The actual number of persons employed nationally during the year from election day, 1974, declined by 363 thousand, while the officially unemployed increased by 1.546 million. Unemployment rates jumped to 8.3 percent nationally, and in California rates rose to 10 percent, with a loss of 53.4 thousand jobs throughout the state, and an increase of 194.5 thousand added to the ranks of the officially unemployed since election day. During the same period of time, another less publicized phenomenon occurred: the persons listed outside the labor force increased faster than those persons included inside the labor force.

Now, I am beginning to wonder just who or what is bottoming out, and exactly what is pulling out. The explanations and ruminations by political pundits and economic experts of how we arrived at this state of affairs and how we get out defies the skill of some of our most imaginative writers. Imagine, if you will, my predicament were I suddenly returned to a classroom, there to teach my students economic affairs.

I would want to explain to them about the labor force. There are, I would explain, 154.5 million people of working age in the United States, but we count only 92,787 million as part of our official labor force. Of course, a lot of people in the remaining 61.7 million outside the labor force may want to work, but for reasons the "experts" agree upon, we don't count them. As for those inside the labor force, only 85 million of them can find jobs: those left over, 7.2 million, are considered the officially unemployed—not to be confused with those outside the labor force who are unemployed, or those inside the labor force who work but live in poverty. That 7.2 million represents 8.3 percent of the 92.7 million we count as the labor force, and represents the official unemployment rate.

We have full employment when we have only 3 percent unemployed of the officially counted labor force, but some experts agree we may have to start calling full employment full when we have 5 percent or maybe 6 percent unemployed.

It is important to have unemployment, I would tell my students, because if we didn't have it, we would have terrible things happen in the country, particularly inflation. Inflation is when prices go up too fast, and the value of the dollar declines. Right now we have high unemployment, high inflation, and the value of the dollar is declining rapidly—in fact, in the past when we had low unemployment, we also had low inflation and a sounder dollar, but there is something called economic laws, Phillips Curves, and professional wisdom, and even if they do defy history and present reality, we believe in them. Just to make sure these theories work, however, we plan unemployment. We also make sure that people don't get used to the idea of being unemployed: we cut services, criticize the unemployed, attack welfare, and squeeze the middle class to pay for the unemployed and the employed poor.

But since my class is all students, I would explain that things would be different for them than for older workers. They won't have to worry about full time work, or permanent jobs for at least another ten years because they simply won't find one. And if they're black or brown, chances are about 50-50 they won't find a job at all.

Need I suggest to you what my students would think or do to me? Fortunately most would be polite enough to keep their thoughts to themselves and consider me just another goofy teacher.

Unfortunately, millions of Americans are thinking about us, the political and economic leaders of this country, and I suggest their thoughts are less generous than my imagined students. Polls show Americans have lost faith in their government, in their institutions, in their economy. Some read the unwillingness of voters to go to the polls as apathy; others see the "no-shows" as polite resistance to nonsense. Polls indicate that people are fed up with huge bureaucracies that don't deliver. Some see this as an indication that all of government needs to be dismantled; others interpret these findings as indication that Americans want their government to deliver paid-for services.

As for loss of faith in the economy, our experts explain things are getting better, but are intolerable for the worker and the middle class; that unemployment cures inflation, but both rise synonymously; that "full employment" actually means 3 percent or 5 percent or 6 percent unemployed; that women, minorities, young, and handicapped must wait another generation for their equality; that while we plan unemployment, support services for the unemployed and poor are needless, wasteful, inflationary spending for slothful, non-deserving, and shiftless shirkers! The astonishing fact uncovered by Lou Harris polls is not that so many are losing faith, he actually found 18 percent with confidence.

Fortunately, ninety-five out of a hundred Americans polled still want their electoral system to work, and believe it can. To them, and to you, I will address the remainder of my testimony. I will try to outline the need to establish clear full employment policies as our first economic priority; the need for suitable planning to achieve that goal; and finally, public service employment as it relates to immediate emergency employment legislation, and long term economic policy.

Chairman Humphrey and committee members, we must put the word "Full" back into the Employment Act of 1946. We must begin work immediately to reduce official unemployment to levels no higher than 3 percent, and to reject as simply intolerable, any unemployment higher than that rate. Even as I call for unemployment levels considerably more radical than many of my Democratic colleagues, I must remind you that much of my constituency finds this rate too high.

Eight and ten years ago when unemployment neared 3 percent and we had officially defined "full employment," unemployment for minorities and women included within the labor force, ranged from 6 percent to 8 percent. It was during this period of "full employment" that blacks, with an unemployment rate of 6.4 percent to 7.3 percent, frustrated by being so near, yet so far away, exploded angrily in cities across this country, from my own district in Watts, to the cities of Detroit and Newark.

This country is too great and too needful of a vast number of projects, works and services to tolerate any unemployment. Unemployment in the best of times maintains race, sex, age, handicap and class barriers by pitting one group against another for the employment opportunities and options in existence. To ask a generation to expect high rates of unemployment as a price that must be paid is to ask a country to lose its soul.

A nation does not lose its soul overnight. It isn't lost suddenly one noon-hour in Dallas, or afternoon in Memphis, or on a battlefield in Vietnam, or in some office at the Watergate. A nation loses its soul slowly, as faceless, nameless economic charts and theories prevent youth, the handicapped, minorities and women from sharing in the economy. A country loses its soul when blacks, and browns, and women, the young and the old must fight each other for a place in the labor force, and when unemployed white males blame affirmative action policies for their unemployment woes.

A country's physical well-being deteriorates with its moral fiber. Prolonged unemployment, as Dr. Harvey Brenner has advised this very committee, is directly related to mental disorders, suicide, homicide, heart and other vascular diseases, alcoholism, infant and maternal disorders. Dr. Frank Riessman, enlarging upon these findings, documents there is a positive correlation between unemployment rates and family break-up, child battering, juvenile delinquency, new prison incarcerations, rising prison recidivism, and an overall increase in deaths due to ulcers, drugs, and a general decreased life expectancy from birth.

A country's soul slowly fades as years stretch into decades, and gains made in one generation, collapse in a few years. Since 1968, the gap between the haves and the have-nots has ripped open with unprecedented speed. Distribution of wealth has become less equitable, and the emerging reality for Americans ten years ago, of all of our citizens sharing equally in the good life, is rapidly becoming a mirage.

As the Pechman studies so vividly show, transfers, taxation programs, and various monetary policies divorced from full employment policies do not close or begin to narrow the gap. Employment is the only sound way to equitably distribute our nation's riches. To do otherwise is to cast our future to the cynics, to abandon hope for an equal society, and to throw our nation's soul to a slow, almost imperceptible erosion as educational and psychological theories of inferiority bolster economic theories of unemployment and inequitable distribution of wealth. In full cycle, hucksters selling once-condemned genetic or hormonal inferiority theories creep forth and find audience. The unemployed become the unemployable, the nation's poor become its unworthy, the miserable become the lazy, and the poor and needful parents become cheats, and frauds, and swindlers.

We must mark 1976 as a year which brings hope and new visions to the people of America. We must bring together a new coalition of employed and the unemployed, the old and the young, of minorities and majorities, of men and women, of poor and the wealthy, of the able bodied and the handicapped: in short, we need to come together and re-establish a new reality for our nation's two-hundredth year.

To re-establish hope, to reaffirm our nation's promise, we must set as our highest economic and social priority, full employment. By this I mean, in fact, job opportunities at decent wages, for all those who are able to work and seek employment.

I join with representatives of the AFL-CIO in their statement December 5, 1975, with members of the National Full Employment Action Council, and with the many supporters of H.R. 50 and S. 50 (The Equal Opportunities and Full Employment Act of 1976), that a new definition of real, full employment is necessary "... to eliminate the bias, prejudice, discrimination and fear" that have resulted from our practices of continually re-defining "tolerable" levels of planned unemployment.

By this statement, I also reject, along with dozens of respected economists and social scientists, a contrived unemployment-inflation tradeoff. History and experience teach us that full employment would not cause inflation, indeed, high unemployment is both inflationary and costly.

The largest increases in the federal budget this year was for unemployment insurance estimated at \$20 billion annually. Recent estimates indicate that each additional one per cent of unemployment costs at least \$50 billion of unproduced gross national product as well as \$14 billion in uncollected taxes, and \$4 billion for unemployment compensation. State and local governments are expected to lose between \$20 billion and \$25 billion during the fiscal year 1976.

The affirmation of the right to just, equitable employment for all Americans regardless of "... sex, age, race, color, religion or national origin" brings substance to my call for a New Coalition of workers, minorities, youth, women, aged, handicapped, and others who have sensed an alienation, an estrangement from the good life that America holds for all of its citizens.

I recognize, however, it is not enough to passionately call for full employment and new coalitions. This state, this nation, must rationally, intelligently and logically plan toward full employment.

Planning, particularly economic planning, is not popular with the public these days. And, no wonder!! Planning is often vague, is lacking in clearly stated goals, and more often than not is forecasting the future based on what is, rather than what could be.

Planning is often "firefighting"—a series of piecemeal, emergency reactions to mushrooming crises. Planning is often done in the unreachable interiors of institutions, bureaucracies, or other unaccessible domains reserved for policy makers.

It is no wonder the public is wary of planning. Indeed, the average person not only suspects that planning is being done to rather than for or with people, the deepest suspicions are quickly validated when pronouncements of "planned" unemployment emanate from the White House.

Let us return again the Harris Poll figures of October, 1975:

The feeling that "What I think doesn't really count much anymore" has risen from 35 percent to 67 percent since 1966; the view that "people with power are out to take advantage of me" has jumped from 33 percent to 58 percent over the same period; the notion that "people running the country don't really care what happens to me" has gone up from 35 percent to 63 percent; and most poignant of

all, the number who say "I feel left out of things going on around me" has risen from 9 percent to 41 percent since 1966."

These figures should not shock us. When the very livelihood of a person is threatened by rising unemployment; when the purchasing power of the average family is less than ten years ago; when the unemployed person, to whom unemployment is 100 percent, hears the experts debate acceptable rates of unemployment; when those whom we trust to lead us base their policies on theories, economic laws, curves and charts which are simply not consistent with historical and existential reality, then one can only conclude that these feelings exist for sound, logical reasons.

I too share this sense of being "left out", of questioning that which goes on around me. When I took office one year ago, and began chairing the Commission for Economic Development, I was bombarded with pronouncements that California's business climate was in dismal shape; that the economic picture in California bordered on catastrophe. I gathered together a group of business, labor, human service and environmental protection advocates. These social scientists, economists, business women and men, ecologists, consumers and workers drew up a Task Force Report calling for statewide economic planning.

One of the discoveries I made while reading this report was that the status of California's business as compared to the rest of the nation, declined since 1968. Furthermore, this decline was probably predictable since California had, for too long, been a boom state, and that a maturing economy just naturally begins to slow down.

Well, thought I, it is odd that no one bothered to warn the public about this "natural slow-down." As I read on, I discovered ". . . we know little about the linkages between the state's economy independent of the national economy because enough data are not readily available and we do not have much research which understands the data we have. We know little about the linkages between the state and the rest of the nation so that policy developed one place can be assessed for its impact on the other. Furthermore, we know little about the leverage which might be applied to effect regional economies."

I suggest to you that this is a strange way to operate the largest state in the country, and even more curious when one considers California's economy ranks 11th as an economic power in the world! Teenagers who will eventually inherit whatever we do, have a current phrase which aptly sums up my response to this sort of economic policy: "It doesn't scan."

We can no longer leave our future to the whims of whatever worldly philosopher dominates the economic policy of a state or of a nation at a given time. We must begin immediately to take the first steps toward a rational, secure, logical future which offers hope, vitality, comfort, belonging, and usefulness to our citizens—this means we must begin planning.

Economic planning if it is to have meaning, if it is to be compatible with a democratic society, and if it is to reduce rather than exacerbate existing conflicts between segments of our society, should (1) have clearly defined and stated goals, (2) proceed with new sets of questions, (3) incorporate a wide range of considerations, and (4) involve the public.

Goalless planning, as Governor Edmund G. Brown, Jr., puts it, ". . . is gibberish." I believe as do Congressman Bolling, Congressman Hawkins and many others, that any economic planning program launched in this country must proceed from the notion that planning must lead to the goal of full employment.

This goal must be clearly articulated, and remain in the forefront of deliberations as planning progresses; otherwise, economic planning is like a rudderless ship, or to paraphrase the Talmud, "If you don't know where you're going, anyone can take you there."

Second, we do not begin planning toward full employment by saying it "can't be done," and then proceed with a checklist of questions and answers based on previous assumptions about the ways and laws under which our economy works. No longer can we ask, "Isn't it true that we have high inflation when we have high employment?"; rather we must ask, "How can we plan for full employment without inflation?"; No longer can we afford to ask, like so many star gazers, "Where will we be in 1985?"; rather, we must say, as we have in our past, "We want to be here, how do we get there?"; We cannot take our first steps toward solving our enormous problems if we say, "Government cannot solve problems," rather, we must ask, "How can government help solve human and economic problems?";

And third, we need to broaden our scope of concerns when estimating the economic conditions of our country or our state. Leon Keyserling points out that we often make a dichotomy between those uses of manpower in purely production and the use of human resources in social, human-service areas. "Social justice and priority service are not only needed products of full employment, and full production," he states, "they are also essential to achieve and maintain full employment and full production."

Ecological costs are often relegated to slight impacts upon the economy, and until energy shortages made the immediate costs apparent, the total employment or inflationary tugs caused by exponential use of earth's finite resources were all but ignored in overall economic thought.

Demands by the various segments and groups of our society also have their economic impacts; thus, planning must involve consumers, environmentalists, workers, human service deliverers, goods producers, and so on, so that the widest discussion and debate can evolve into a generally understood economic policy.

At last, the public at large needs to be involved in the planning if the planning is to have meaning or if planning can restore some faith in governmental and economic systems.

There are many lessons to be learned from the experience of citizen participation during the 1960's, and while much participation degenerated into nonproductive confrontation, particularly as the money ran out, the model for citizen participation is still valid. Persons from all walks of life, from many educational levels, and from varying degrees of experience showed that they were truly interested in the affairs of their community, in their government, and in the process of planning and of governing themselves. The national Economic Planning Board, as outlined in Senate Bill 1795, and the local planning councils as outlined in H.R. and S. 50, would be a quantum leap from the mystical planning mechanisms to which we are presently subjected. Future changes in the structures of these planning mechanisms would undoubtedly be necessary, and mandatory review of the mechanisms might be in order; however, it would be hoped such changes would serve to enhance public participation and further involve citizen of this country in its future.

My closing remarks will be addressed to the Emergency Jobs Program outlined in the *1975 Mid-Year Review of the Economy, Report of the Joint Economic Committee*. I am in full agreement that such a program, and such emergency legislation is necessary as soon as possible.

I would encourage, also, that the views of Senator Proxmire regarding increased revenues for housing and construction, an industry hit extremely hard in California, be addressed with appropriate legislation.

I will limit my remarks to the types and kinds of employment such public money should be directed.

As public money is dispensed for public employment, it is crucial that such employment be meaningful and add to quality life. I say this with urgency because we are witnessing, today, a broadside attack on public service employment. This attack comes not only from traditional opponents in the conservative or some in the private business sector, but from liberals and consumers of the public service, as well.

Elected officials are familiar with the traditional attacks on welfare recipients, the blind or the disabled. It is to the credit of many able elected officials that they have been able to resist such intolerance. Currently, however, the main-line attack is on all service providers—sanitation workers, teachers, police, students, transportation workers, and others. We have witnessed scathing attacks on our largest city. Denunciations of New York's famed free public education system and services came from those very people who themselves used and profited from them.

Economic ills of many sorts—inflation, capital shortage, unemployment, budget deficits, or profit losses—can be cured, it is argued, by cutting down on social service, public service, health, education or welfare.

Joining the opponents of public employment is a strange chorus of liberals and ex-poverty warriors. Disillusioned with the results of health, education and welfare programs; consumed with the so-called failure of the War on Poverty; and helpless before the onslaught of auditors and bookkeepers sent out by the Nixon administration as early as 1968 to destroy the Poverty Program, these officials capitulate to the criticisms, and forget the good that has come from such programs.

In spite of the failures and the faults (and there were many) income and wealth did move toward more equitable distribution during the Great Society. Unemployment and inflation levels reached lows not experienced since. The expanding public sector with employment opportunities in education, health, and social services provided job opportunities for youth, minorities and women unmatched by other sectors.

Now, let us compare the present administration policies with regard to revenue sharing monies. In California, revenue sharing funds during 1974-75 were spent and allocated according to the guidelines set forth by the Nixon-Ford Administration. The recent report on uses of revenue sharing funds by counties in California shows that "no money was spent on economical development."

This is astounding. In a period of extremely high unemployment, when California's economy suffers more severely than most of the nation, when this state received \$640 million federal dollars in revenue sharing, that we did not put any of it toward economic development is shocking, but even more disturbing is the revelation that the state at the close of the fiscal year had \$289 million dollars unspent! We have simply not spent 45 percent of our money!

In addition, the figures show that the remaining money which was spent, did not generally go to the poorest or the most needy populations. As Robert Rabago, Acting Director of California's Office of Economic Opportunity states:

With regard to the poor of California, the Report verified that their needs continue relatively unattended, even though spending priorities were determined at the local level of government. For example, the Report disclosed that counties with 15 to 18 percent of their population below the poverty level spent only 2 percent of their funds or social services; that no money was spent for economic development; that the combined spending for health, social services for aged and poor, education, social development and housing and community development amounted to only 10.06 percent of the available funds; that programs specifically identified for services principally to black people received 0.07 percent of available funds; that programs specifically identified for services principally to Spanish-surnamed received 0.04 percent of available funds; that programs specifically identified for Native Americans received 0.01 percent of available funds; that legal services programs received 2.85 percent of available funds; that programs specifically identified as principally for services to migrants received 0.0007 percent of available funds; that programs specifically identified for senior citizens received only 0.3 percent of available funds.

Clearly, if 45 percent of the money—\$289 million is left unspent, lack of money is not the reason for these inequities. Lack of commitment and of a vision must be the cause.

As we move legislation for emergency employment creation, I would hope we are mindful of the lessons we learned in the 1960's, and at the same time are cognizant of the current economic crisis.

First, the public wants quality delivery of services for its dollar. As Chairman Humphrey notes, and as economist Robert Lekachman artfully describes, there is plenty of necessary work to be done. We must establish priorities for our dollars and begin moving toward those priorities.

Secondly, we must avoid falling into the trap of blaming the poor for their plight. As cock-eyed as this statement may sound, the truth is that we developed programs during the 1960's which were designed to eradicate deficits of the poor, rather than deficits of the system which could not absorb them. We must create jobs, and avoid needless training for jobs that do not exist.

Third, we must make doubly certain that public service helps those who need it, and is paid for by those who can afford it. We must halt policies which allows for money to be spent in such a way as to ignore those who most need the services and programs, and we must, at the same time, halt the squeeze which is strangling the middle-income wage earner.

And last, we must recognize that a healthy economy is a balanced public and private sector. To assume that social justice, priority services, public-human services are "non-economic" considerations, or at worst, make-shift programs for counter-cyclical effects, is not consistent with sound economic planning or policy.

The task before us is great. The solutions to our economic and social problems awaits our bold action. The leaders of this country, cannot afford to sit by silently, or cry failure awaiting some miracle to suddenly bring our economic charts and graphs into rosy focus. As President Harry Truman said, "The buck stops here". We are the leaders, we are the change agents, we are those elected

to bring this country into this Bicentennial year. It is now our time and our turn to bring a new politics, a new vision, and a re-newed hope to America.

Thank you.

Chairman HUMPHREY. Thank you very much, Governor Dymally. Your statistical information, I have been noting in your statement is very interesting. I noticed in your prepared statement, where you say that recent estimates indicate that each additional 1 percent of unemployment costs at least \$50 billion of unproduced gross national product, as well as \$14 billion in uncollected taxes, \$4 billion for unemployment compensation. State and local governments are expected to lose between \$20 and \$25 billion during the fiscal year 1976. Those statistics are revealing as well as being alarming.

It is estimated by the projections of the Office of Management and Budget that the recession from 1974 through 1980 on their projections cost \$11½ trillion in lost production of goods and services. Now that is a fantastic amount and one of the problems that we are having in discussing the whole question of full employment—Congressman Hawkin's proposals and the ones that I have joined him in and other proposals—is the element of cost. Constantly we are being told that our proposals cost too much.

Now as I see it here, you are indicating that just 1 percent of unemployment costs about \$50 billion in unproduced goods. And of course that means unreceived income. Also, uncollected potential tax revenues. If you could tell me how we could turn this around so people could really see what the costs really are and where the real deficits are, you would be giving us the greatest service that any witness ever provided this committee, because I don't deny your facts. I think that if we looked over our own studies that we are all within the same ballpark, so to speak. There are differences, variables of some degree.

Lieutenant Governor DYMALLY. What is even more frightening than the raw statistics is the political rhetoric of our leaders including many of our friends in our party, or Presidential candidates who seem to find it very popular to put down the programs that eliminated, as Congressman Hawkins will tell you, juvenile crime in Los Angeles. When we had the Neighborhood Youth Corps and the Job Corps and we had the Teen Posts, the number of programs in the sixties, we saw the elimination of teen gangs in Watts. And today, that continues to be a problem.

We saw hope. There was hope; a number of young people were able to move on from what we know as south central Los Angeles, Watts, into college and into the lower middle-income brackets. There was hope there. And when we read the editorial pages and listen to the speeches, it seems to me to be the popular theme now to put down the very Government that is designed to help the people. And that to me is the frightening aspect of American politics today.

People like myself, and I can be presumptuous enough to include you and my Congressman, who go about talking about hope and providing jobs for people are considered from the old school. We aren't—

Chairman HUMPHREY. Yes; I have noticed that, but for some reason or another, I still believe that we ought to keep talking like we are and working like we are, even though it is an uphill battle. I want the public

in this community and our people all over the country to take a good hard look at the statistical evidence that you have provided, and which witness after witness provides.

Lieutenant Governor DYMALLY. You see, Senator, I need to stop because I have a number of witnesses and I have been to enough of these committees to know that one witness can consume too much time. But here in California, we are at \$600 million in the unemployment fund; \$600 million. But that wasn't a story. Increase in welfare rolls was a story. What the taxpayers don't know is that they are paying for the welfare by subscribing to the unemployment insurance. That is the story that has to be told.

Chairman HUMPHREY. Now if we took \$600 million and put that into job creation, how many jobs would that create? Wouldn't that be about 30,000?

Lieutenant Governor DYMALLY. Yes; 30,000 to 60,000 jobs.

Chairman HUMPHREY. Depending on their income levels?

Lieutenant Governor DYMALLY. Yes.

Chairman HUMPHREY. But it at least would create jobs that were better in pay than welfare, wouldn't it?

Lieutenant Governor DYMALLY. Thank you very much.

Chairman HUMPHREY. Wait a minute. I have two or three colleagues here. They may want to question you. I don't want you to get out of here, unscathed—

Lieutenant Governor DYMALLY. Well, I know Congressman Roussetot is going to be kind and Gus has to be because—I still live in his district.

Representative ROUSSELOT. Senator and Governor, we appreciate your being here and taking time. I know this is a subject in which you have been interested for a long time and it isn't just "a new thing" to you and it isn't suddenly just a new item on your laundry list of things to be done. You speak in your prepared statement about the planning that is done; with regard to problems of unemployment, "planning" is more often kind of a firefighting technique, where we wait until the fire is consuming the whole landscape on unemployment before we really begin to pay any attention to it. And you and I, Gus, remember very well the problems that we faced when the aerospace industry took a nosedive and you have been living with it for a long time and you—

Lieutenant Governor DYMALLY. Let me interrupt. One of the tragedies of that is that we don't have mechanisms in the State to be able to project that downturn, or to be able to deal with it. I think that is why economic planning is important, not only on the national level, but on the State level. The State ought to be able to project and find what is happening to the tourism industry now.

Representative ROUSSELOT. Well, to follow up on that, you have had a chance now to be in office a year. In your new perspective, the second highest office in the State, have you had a chance to see any programs on a statewide basis that you think need to be brought to our attention that avoid this firefighting, last minute firefighting approach. Because I don't think there is really a Member of Congress who "enjoys" unemployment as the ideal way to solve the problems of inflation. I sure don't, and if you have seen any programs that you and Governor Brown have found are steps in the right direction to avoid this last minute firefighting approach—I know you have included some ideas,

or piece meal approach, as you state—we would sure like to hear about them. Many times in California we are kind of innovative.

Lieutenant Governor DYMALLY. We started the Job Corps in California. And I think—

Representative ROUSSELOT. Yes. How has that gone?

Lieutenant Governor DYMALLY. Well, it has all gone to pot now. And we need to revive that. It seems to me it was a very good program. We need to do that. We need to revive the Neighborhood Youth Corps to provide the job opportunities to young people, many of whom are sufficiently inspired to go on to college, to job training programs, or apprenticeship training programs. That to me is a very—

Representative ROUSSELOT. How about some of the CETA programs?

Lieutenant Governor DYMALLY. For the last year I have been trying to get a CETA employee and I have gotten the runaround. I just imagine what happens to someone on the outside if the lieutenant governor, chairman of the Commission can't even find out about the CETA program. It is the greatest mystery to me and I wish I knew something about it. We have been trying to get someone for a whole year in the Los Angeles office and—

Representative ROUSSELOT. Of CETA?

Lieutenant Governor DYMALLY. We have tried the city and county.

Representative ROUSSELOT. Maybe you ought to go to work Senator, and get at least one guy from—

Lieutenant Governor DYMALLY. Maybe we could do something positively out of this hearing.

Representative ROUSSELOT. Right. You haven't had much success—

Lieutenant Governor DYMALLY. The office has, without much luck. There seems to be a lack of State information or coordination about CETA programs. Everyone is going in a different direction or the State has very little information about CETA because it goes directly to the county. I am not suggesting that it should go to the State, but it seems to me there ought to be some mechanism for pooling this information and finding out what is going on. We are laying off people in one department and hiring—in the same department.

Representative ROUSSELOT. Well, maybe that is something we can do something about. I don't know. We will try. I think I will yield to my other colleague.

Chairman HUMPHREY. We will get down to your—

Representative ROUSSELOT. Especially your Congressman. I think we ought to hear from him.

Chairman HUMPHREY. In just a little while we want to get to him, but—Congressman Hamilton.

Representative HAMILTON. Governor, we are delighted to have you here today. The thing that impressed me in your statement I guess as much as anything, was the fact that you haven't spent any of the revenue sharing money in California on economic development. And you haven't spent a lot of the revenue-sharing money that was made available, about \$290 million. I am very curious about that and perhaps you could comment for me as to why you did not spend some of that money for economic development and what the problems were in not being able to spend the full amount of the revenue-sharing funds.

Lieutenant Governor DYMALLY. This information came from the California office of Economic Opportunity and I have to conclude it is very reliable. These were county revenue sharing dollars, not State.

Representative HAMILTON. I see.

Lieutenant Governor DYMALLY. They went directly and the State has very little control. Most small counties put their money in the general fund to lower property taxes. They don't use it to stimulate the economy.

Representative HAMILTON. The reason the money was unspent then, was because the counties were not able to gear up to spend it.

Lieutenant Governor DYMALLY. That is correct. Or they had a different set of priorities. It was completely different from those which the Congress perceived when it said we will send you back some money to take care of some of your local problems.

Representative HAMILTON. I read in the newspapers yesterday that some accounts of the Governor's speech, I am not sure what you call that speech up here—it is the state of the State—

Lieutenant Governor DYMALLY. State of the State, yes.

Representative HAMILTON. It was a brief speech, of course, but it had some interesting language in it. I saw only reports of it. He spoke about an era of limits and very tough choices before us and it was a very restrained speech, in terms of what government can do in dealing with problems. I suppose he was talking about State government.

Lieutenant Governor DYMALLY. Some of us thought it was the State of the Union message.

Representative HAMILTON. I see. I would like for you to comment on that, specifically for me and perhaps in the context of our discussion here on unemployment and what we need to do and I noticed one of the things you said in there, that unless the Federal government intervenes more, we are going to be fighting, I think you said, a rear guard action of some kind in the State. In other words, he clearly put the responsibility on the Federal Government for trying to reach full employment and I can appreciate that, but perhaps you have some comments about that speech and what it means in terms of the State's attitude with regard to these problems we confront.

Lieutenant Governor DYMALLY. Well, the Governor is committed to no tax increases this year, if at all possible and I think that his budget message was an expression of that philosophy. He will end up with a modest surplus if the legislature does not use it all up. And he is hoping that we maximize Federal dollars in the State. I have proposed to the legislature that we create an Office of Federal Programs so we would be able to look at the revenue sharing money; we would be able to look at a number of programs. Because we have no idea now how much money is coming into California, but we could find that out. But we do not know how much we are losing by not moving aggressively.

I understand Texas is probably the most aggressive State. Their budget there, Washington office budget is \$300,000 just—and that is the reason why their unemployment rate, in my judgment, is 6 percent and we are 10 percent. We have not, in other words—

Chairman HUMPHREY. Which State is that?

Lieutenant Governor DYMALLY, Texas. We have not in the last year, 8 years, moved aggressively to bring back some of the Federal dollars.

Representative HAMILTON. Excuse me. Let me make a comment. It strikes me and I hope you won't take this as being sniping or critical, but one of the things that impresses me is that your Governor is submitting a balanced budget and we all know that politicians like to take credit for balanced budgets, but everyone here and evidently including the Governor, wants the Federal Government to spend more and more at a time when we are already running very large deficits. Now—and let us Federal politicians take the heat on the deficit question. Isn't it only fair in this circumstance that the State get into the action too, and provide some of the jobs that are needed even if it means that you have to go into deficit somewhat?

Lieutenant Governor DYMALLY. Congressman Hamilton, I share your view. As a matter of fact, Congressman Hawkins and Mr. Hannon joined me at a State conference on jobs. If we were answering the roll-call in the United Nations, California would be No. 7 or 8. We could not say to our national citizens or subjects that, "We don't have any money," or, "We can't help you because U.S. foreign aid did not give us any money," or, "The United Nations didn't give it." We would have to respond to the needs of that country. We are a Nation-State. I take the position that California has a responsibility to move forward aggressively. We have to spend some of our surplus for jobs. So I share that view. I don't know if it is shared by the Governor, and I have been very vocal about it.

Representative HAMILTON. I appreciate your candor, sir, and your statement is very good and useful to this committee.

Chairman HUMPHREY. Might I just interrupt to say that exactly the same fiscal situation pertains in my home State where we are very proudly proclaiming a budget surplus of around \$300 million to \$350 million, at the very same time we are hearing the hue and cry about the Federal Government ought to do this, and the Federal Government ought to do that. I said very much the same thing as my esteemed friend here from Indiana said. I said, I am sick and tired of having people point at me and say, "Mr. Humphrey, all you ever try to do is get deficits." Because the reason for the deficit, a good deal of it, is because we are dishing out an awful lot of money around to help out on problems that need help. Also, as we reduce taxes in Washington, many places are raising taxes. There is a lack of fiscal planning. The whole idea of the tax reduction is to release purchasing power. If we release it one place and somebody picks it up in a new tax someplace else, it is not released at all. There is no coordination.

Gus?

Representative HAWKINS. Thank you, Senator.

May I join, Governor, in the commendation to your presentation? Of course, being such a friend, I don't want to appear to be overly gracious. But I do want to commend you on the very excellent statement that you have made. I know that it is backed up with practical experience and a great deal of commitment.

I believe, however, that in the statement if we could single out any particular thrust to the statement, I think the great contribution that your statement makes is that while we are talking about jobs and everybody is bemoaning the question of the loss of jobs and unemploy-

ment and all of this, that you have somehow captured, I think, the real essence of what the thing is all about and that is, this is not a mystical problem. It is a problem that has been planned. The current economic policies that we follow today as projected by this administration—there is no secret that it is to restrain economic growth, that it is to create unemployment, that these mistaken policies—as I think you have referred to in your statement—are designed allegedly to correct inflation. If we analyze the situation, we are talking about two effects of a recession or of these policies, and not one causing the other.

This is background to asking you whether or not we are correct in assuming that creating unemployment is a way to attack inflation, and that it is impractical and unsound to attack both unemployment and inflation at the same time, without giving the people the choice as between which one they really desire?

Lieutenant Governor DYMALLY. Congressman, it seems that we don't have a choice. The only choice before us is to provide jobs, to provide employment. It seems to me that some economists are not as concerned about inflation as they are concerned about unemployment, because things have a way of settling when people work.

But to the person who is unemployed, unemployment is not 10 percent. It is 100 percent. Inflation is something that he does not understand. He does not know what it means because he does not even have money to purchase groceries.

Representative HAWKINS. May I rephrase it then this way? Is it true to say that unemployment is a cause of inflation?

Lieutenant Governor DYMALLY. Indeed, I would say that the unemployment that we have planned in this country has added to the inflationary spiral. It has not helped at all. This was the intent, but it has not worked that way. It seems to me that we have had enough evidence over the years now to bring a halt to it.

Representative HAWKINS. Well then, is this not to say that by creating unemployment you cannot control inflation—

Lieutenant Governor DYMALLY. It is not.

Representative HAWKINS. Since unemployment is not the cause of inflation.

Lieutenant Governor DYMALLY. That is correct.

Representative HAWKINS. That the causes of inflation lie elsewhere other than the fact of high levels of employment.

Lieutenant Governor DYMALLY. That is correct.

Representative HAWKINS. So that we are now, in other words, following a theory that is discredited and imposing it on the people. Not only unsound economic theories, but a high sense of immorality and social injustice as well.

Lieutenant Governor DYMALLY. Very much so.

Representative HAWKINS. Then I would assume from that that you would, therefore, believe that the logical answer would be to attack both unemployment and inflation at the same time, but to attack them through such methods as increasing economic growth, as controlling our monetary and economic policies so that we will stimulate the private sector, and that in the final analysis it will be the role of the Federal Government to make its commitment that if all other efforts fail the Federal Government has a final commitment to see that persons are employed.

Lieutenant Governor DYMALLY. I am hopeful that these hearings will produce sufficient evidence across the country to convince your colleagues that that is the course that the Congress, if not the Administration, ought to follow.

Representative HAWKINS. I think that you and I, since neither one of us is a member of this Joint Committee, can certainly say that I believe that the committee is on the right track. In knowing a very good friend, the chairman of the committee, I certainly hope that the views that you have expressed today will certainly be those that through this committee will be expressed to the Congress and hopefully to educate the American people who today are being miseducated by being divided into two blocks. One, those who are employed, who feel that by creating unemployment they will protect themselves against rising prices. And the unemployed, who feel that in some ways these rising prices are somehow not of great concern to them. I hope that we can bring these groups together and not allow this political misinformation to mislead the American people.

Lieutenant Governor DYMALLY. I would say, in conclusion, that an economist is a guy who is fully employed during high times of unemployment.

Chairman HUMPHREY. Governor, I thank you.

To back up Congressman Hawkins, it is very interesting to observe that when the inflation rate in this country was running between 12 and 14 percent, the unemployment rate was running between 9 and 10 percent. In other words, when the inflation rate is running now at about 7 percent, the unemployment rate is now to 8.3 percent. The simple fact is that low productivity increases prices. Recession means low productivity. One-fourth of our plant capacity today is unemployed. Anybody that is in business knows that if you are selling fewer articles and your costs are remaining high, you raise the price. Otherwise you are not in business very long.

Sometimes, I happen to believe, we need a meeting between the President and the 50 Governors of this country to come to some understanding on how we are going to attack unemployment. It has been said here about the Federal Government. The Federal Government is a combination, as we were told in Atlanta, between the national government and the State governments. Going back to Congressman Hamilton's thesis, it isn't something just that we can do in Washington. We have to have a joint enterprise here. If my State has a budget surplus and there is a high rate of unemployment, it isn't good enough just to call up Washington and say to the Congressmen and the President, "Now you fellows take care of it." It seems to me like we have to pool our resources. We have to know what we are doing. We have to be willing to plan it ahead to see how we are going to spend those dollars and for what purpose we are going to spend them. Today, the dollars are just dished out and hopefully somebody is going to spend them the right way. Some places they do; some places they don't. I think the American people have a right to expect better performance than that.

Lieutenant Governor DYMALLY. Thank you very much.

Representative ROUSSELOT. Mr. Chairman, I wonder if we could ask our Lieutenant Governor this.

You have had a chance to review with Governor Brown some of the suggestions he made in his State message, and the heavy emphasis he put on solving some of the problems of unemployment, especially among the youth. Could you quickly describe for us some of those ideas that we might take and apply to the Federal level?

Lieutenant Governor DYMALLY. The Governor has proposed the re-organization of the ecology corps into a conservation corps, with some emphasis on urban conservation. I think that is a step in the right direction. We need a little more of it. I think it could be a model for the Federal Government.

Representative ROUSSELOT. Are there any other areas? We only got a brief review of some of his ideas, and we don't disagree with his very brief message. But we didn't get a chance to see all of the—

Lieutenant Governor DYMALLY. That is the only major and dramatic pronouncement he made with regard to jobs.

Chairman HUMPHREY. Thank you, Governor, very much.

Lieutenant Governor DYMALLY. Thank you, Senator.

Chairman HUMPHREY. I welcome you. This panel is composed of three persons that are highly qualified by experience and training to address a problem so difficult to solve that there is really no name for it. I guess that is why we had such a long descriptive title as to the nature of the panel. It is the problem of attempting to resolve or balance the conflicting goals of advancing technology, a clean environment, and full employment.

Mr. Thornton Bradshaw, president of Atlantic Richfield Co., is one of the Nation's leading and most progressive business spokesmen.

Harold Brown, president of California Institute of Technology, has served in many distinguished official capacities, including the Secretary of the Air Force. He is well-known by those of us in the Congress and, may I say, highly regarded and respected.

Mr. Derek Shearer is the co-director of the California Public Policy Center, and has written widely on economic matters including employment, planning and regional economics. We are going to be very interested in your observations on the latter in particular.

Gentlemen, all of us are pleased to have you here to share your thoughts with us, and I believe we will just start out in alphabetical order with Mr. Bradshaw first, Mr. Brown second, and you, Mr. Shearer, as the cleanup hitter, so to speak. Please proceed.

STATEMENT OF THORNTON F. BRADSHAW, PRESIDENT, ATLANTIC RICHFIELD CO.

Mr. BRADSHAW. My name is Thornton Bradshaw. I am president of Atlantic Richfield Company, and very happy to have an opportunity to appear before these important hearings in order to comment on the country's economic problems from the point of view of the energy industry.

I thought about solving the problem which you posed. But seeing that Harold Brown is on the panel, I am going to leave that to him and restrict myself to a more provincial point of view in terms of the causes of unemployment in California and elsewhere. I am boldened to do so because of the amount of space which was devoted to the energy issue in the mid-year report of the Joint Economic Commit-

tee. I do believe that it is impossible to consider our economic situation without reference to the condition of our energy supply, or apart from our prospects for assured sources of reasonably priced energy for the future.

Jobs, housing, manufacturing, exports and transportation all depend upon energy. All are affected by its volume, its costs, the forms in which it is available for use. Because the relationship between energy and the economy is so obvious, I am puzzled and frustrated by the failure of the Federal government to design and implement a national energy policy that would accomplish the two major objectives that I believe everyone agrees are essential.

First, to conserve our available supplies by encouraging and, where necessary, mandating their most economic and efficient use. That means reducing our usage.

Second, to stimulate rapid development of all available sources of domestic energy: coal, oil, natural gas, shale, nuclear, and eventually solar, tidal and other exotic forms.

But in many of its actions, especially in enacting the Energy Policy and Conservation Act of 1975, the Congress has chosen to do precisely the opposite of what was required. What has been enacted is counter-productive.

When I was thinking about that, I was also reading on a plane the other day the Los Angeles Times, which had an editorial on Argentina called, *Time Is Running Out*. You may wonder what the correspondence here is. But the editorial points out that Argentina is one of the wealthiest nations, in terms of natural resources and potential, in the Western Hemisphere. But it is depressingly unable to achieve that potential. Later on in the editorial they say that industry is being held back by a lack of foreign exchange, and the country is suffering from a lack of foreign exchange. It has, by the way, an inflation rate of over 300 percent, and an extraordinarily high unemployment rate. This is the one paragraph I do want to read:

"The quickest and easiest way to get more foreign exchange would be to encourage exports of agricultural products. But the yield from Argentina's rich farmlands is disgracefully meager because Peronist ideology calls for artificially low farm prices in order to hold down food prices for workers in urban areas."

Now, this is precisely what we are doing in the United States. We are holding down the price of energy and our output now and for the future appears to be extraordinarily meager when measured against our very, very high potential for energy production. We seem to be very clearminded when looking at the economic problems of foreign nations. But our clarity rapidly achieves a dimness when we look upon our own.

This law literally encourages the use of energy by rolling back the price of crude oil. We estimate that its pricing provision will help to produce an 11 percent increase in the national demand for oil this year as compared to 1975.

By reducing the oil companies' cash flow, the law will, of course, discourage development of domestic resources.

The result is that our imports of foreign oil will go up this year by some 700,000 barrels a day. The sum that we must pay for im-

ported oil will go over \$30 billion this year, six times as much as we paid for foreign oil in 1972.

Now for the short term, between now and the end of this year, this policy of deliberately expanding energy demand may result in some employment gain. But the long term picture is far different.

Over the next decade, we estimate that our industry's capital investments will be cut by about \$80 billion under the combined impact of this Energy Policy and Conservation Act and repeal of the depletion allowance.

We believe that this shortfall will translate directly and indirectly into the loss of about 230,000 jobs a year, or 2.3 million man-years of work for U.S. workers, lost over the 10-year period. Many of the jobs are in oil exploration and production.

While I applaud and support your efforts to deal with disastrously high levels in unemployment in the United States today, I must also ask that you bear in mind the consequences which our national energy strategies will have on our economic future including job opportunities for those too young to enter the job market at the present time, including in fact those as yet unborn.

Punitive legislation directed against the energy industry will not solve our energy problems. Unrealistic price controls or misguided attempts to break up the oil companies will not generate jobs or renew our flagging economy.

The solution lies in compromise measures that will permit the country to draw upon the strengths of both the public and the private sectors. We have the assets, including the industry which I represent. The only question now is how to put them to best use. We are anxious to play our part in the process.

Thank you, Senator.

[The prepared statement of Mr. Bradshaw follows:]

PREPARED STATEMENT OF THORNTON F. BRADSHAW

I am Thornton F. Bradshaw, president of Atlantic Richfield Company, an integrated oil company active in all phases of finding, developing, refining, transporting, and marketing petroleum.

My testimony today will concern unemployment and inflation, the principal topics of this hearing, but from the special perspective of my position in the energy industry. Because I am convinced of two things: the first is that the United States will not solve its economic problems, including inflation and unemployment, without first assuring a supply of reasonably priced energy adequate to sustain our economic growth. My second conviction is that we are not achieving this objective. In fact we are going the other way.

National Energy Policy

Few undertakings in history have been conducted with more public expression of concern and determination than the search for a national energy policy that has been going on in this country since the Arab oil embargo of late 1973. And yet few quarries have proved more elusive.

The effectiveness of the embargo convinced the broad spectrum of American opinion of a fact that had long been understood within the oil business, that American's access to unlimited supplies of energy could no longer be taken for granted as we planned for our future growth. The Federal Government began to address the issue seriously for the first time. The Executive Branch began ordering its scattered energy authorities, and the Congress produced hundreds of bills touching on various aspects of the problem. The public at large became aware and then alarmed—not only by the rapid rise in the cost of energy engineered by the OPEC cartel, but also by the impact of an energy shortfall on employment—a fact of most crucial importance to this hearing.

Impact of Embargo

The embargo of 1973-74 was only partially effective. The United States was deprived of perhaps a third of the roughly six million barrels of oil we were importing each day. And yet that two-million-barrel shortfall caused our Gross National Product to shrink by \$20 to \$25 billion—a deficit we have yet to make up—and our unemployment to increase by hundreds of thousands.

In the oil industry it was recognized that the energy crisis would cause major and permanent changes in the nature of our business, especially in our relationship with governmental authority. We recognized that government's intervention into energy would and should be enlarged, particularly in areas such as establishing energy goals for the nation, encouraging and perhaps mandating conservation of energy by both institutional and individual consumers, and of greatest importance, removing obstacles to the development of domestic energy reserves. These obstacles are economic, environmental, and regional in nature.

But despite all these changes, one fact remained clear to us in the energy business—that the development of new supplies of domestic energy was not primarily a political problem of the public sector versus the private sector though the relationship was in need of reordering, and not a technological problem though some new technology is necessary. Supplying our energy needs is essentially a capital problem.

Cheap Energy Era Over

The preeminent fact of energy today is its expense. U.S. economic growth has traditionally been force-fed on cheap energy, whether oil and gas and coal taken at less than replacement cost from our own country, or oil imported at extremely low cost before the producing countries could establish an effective cartel, and before our domestic supplies had dropped to a point at which we had to take their protestations seriously.

Cheap energy is gone. It means nothing that the Arabs are sitting on hundreds of billions of barrels of oil that can be lifted for 25 cents a barrel. We must pay their asking price, now about \$11.50 a barrel FOB the Persian Gulf, or go without. We are paying the price. This year's bill for imported oil will run more than \$30 billion compared with only \$5 billion as recently as 1972.

Within the United States, the political security of our energy supplies can of course be assured, but the cost situation has escalated, primarily because the cheaper energy sources have already been discovered and produced. We are now reaching out into remote, sometimes hostile areas and cost projections are difficult to make. For example, my company discovered, together with Exxon Corporation, the largest oil field in North American history on the North Slope of Alaska—approximately 9.5 billion barrels. When the discovery was made in 1968 we estimated that the pipeline to bring the oil to Valdez on in the area of \$1 billion. The pipeline will be completed by the middle of next year. Its total cost will be close to \$7 billion.

Limiting Oil Imports

Taking into consideration these two factors—our need to reestablish our energy independence, or at least a reasonable approximation, and the growing expense of finding and developing new domestic sources—the industry estimated last year that over the next 10 years domestic oil companies would have to invest \$300 billion if we hoped to limit our oil imports in 1985 to approximately what they are at the moment—six million barrels a day.

We regarded the six-million-barrel figure as the minimum to which imports could be held under normal economic conditions. This would mean dependence on foreign sources for only about 15 percent of our total energy supply in 1985 compared to about 20 percent—and growing—at the moment. But accomplishing this species of energy independence would require two actions: first, that we limit growth in energy demand to no more than 3 percent a year, compared to 4.0 percent in recent years. Second, that we sharply expand our domestic energy supply from every possible source including onshore and offshore oil and gas, synthetic fuels, and nuclear.

Failure of Government Leadership

A program of this kind obviously would require strong government leadership at the national level. That leadership has not been forthcoming. Instead, actions by the Congress, in combination with international developments, have deferred the day of our energy independence well beyond 1985 and may in fact have produced a state of permanent dependence on countries such as Saudi Arabia—for as long, that is, as they have oil to sell us.

We conservatively estimate that repeal of the percentage oil depletion allowance and passage of the Energy Policy and Conservation Act of 1975 will combine to reduce the oil industry's cash flow by approximately \$5.5 billion a year, with corresponding constraints on its borrowing power. According to our estimates, the resulting shortfall in petroleum industry capital spending will be approximately \$8 billion a year—or \$80 billion between now and 1985. This represents an investment cutback of 25 percent.

I needn't add that for the purposes of this country's critical energy needs, this cutback could not have come at a worse time. By rolling back the average price of domestic crude oil by \$1.09 a barrel, the new energy law will stimulate additional demand that can only be satisfied with OPEC oil. Stimulated by the rollback and general economic revival, oil imports this year will, we feel, increase by 700,000 barrels a day. We estimate that U.S. payments to OPEC because of this bill will be up by \$7 billion a year by 1980 and \$20 billion a year by 1985.

Impact on Employment of Reduced Capital Spending

For the very short term, between now and the end of the year, the price rollback combined with continued economic recovery will increase petroleum demand by 11 percent and may produce some employment gain. But the longer-term employment picture is far different. Over the next decade, we estimate that the reduction in our industry's capital investments will translate directly and indirectly into the loss of about 230,000 jobs a year throughout the economy—or 2.3 million man-years of work for U.S. workers lost over the 10-year period. Many of these jobs will be in oil exploration and production. However, a substantial number will also be lost in the construction trades.

These figures on total direct and indirect job impact by an \$80 billion shortfall are based on information on Atlantic Richfield's job requirements associated with our 1975 capital investment program. We found a direct effect of 10,000 jobs for every billion dollars of investment by our industry, with three times as many indirectly affected. The 25 percent cutback in domestic petroleum exploration and production due to loss of cash flow will thus weaken our economy, export jobs abroad, and leave us more vulnerable than ever to international coercion.

Damaging Effect Price Controls

Why has this happened? Because the Congress has chosen to turn away from the market solution to our energy problems in favor of continued price controls that serve only to mask the true cost of energy and do nothing more than delay the day when the country must come to terms with reality. Congress may attempt to control the price of energy. But Congress cannot control its cost. If Congress has opted for price decontrol, as the industry urged, the natural rhythm of the marketplace would have been restored and the task of government and industry of formulating, interpreting, and enforcing the energy regulations much simplified. Most of all, deregulation would have enabled the oil industry to generate sufficient cash flow through profits and external borrowings to meet the massive capital needs of the next 10 years. Certainly the burden of decontrol was grossly exaggerated during last year's energy debate. We believe it would have resulted in price increases of around five cents a gallon across the board—a small price, it seems, for a reasonable degree of energy independence.

We have lost the battle on oil decontrol and are prepared to live with the consequences. But we do hope that the Energy Policy and Conservation Act will be administered by the Federal Energy Administration in a manner that is most responsive to the national interest. The regulations are being formulated now. We are hopeful that when the unfortunate price rollback period is concluded, the Administration and the Congress will permit the price of domestic crude oil to rise as swiftly as possible in order to restore some semblance of economic balance within the oil business.

The Natural Gas Problem

Our attention now turns to the question of decontrolling the wellhead price of natural gas. This is still a lively possibility and one that I believe must be pursued for the economic health of this country.

Nationally, our experience so far this winter has been less severe than had been anticipated due to weather that has been warmer than expected. But heating season curtailments in 21 key states including California are still expected to run about 1.2 trillion cubic feet, an increase of more than 300 billion cubic feet over last winter. The pattern of accelerating shortfalls of natural gas is

clear with U.S. production declining at a six percent annual rate and current proved reserves standing at their lowest level since 1952. The problem, of course, lies in the price-controlled interstate market. In the uncontrolled intrastate market—principally Texas, Louisiana, and Oklahoma—drilling activity and production of gas are up substantially because of the incentives produced by competitive wellhead pricing.

California's gas supply expectations, while not as gloomy as in the Middle Atlantic states or the Midwest are still unencouraging. This winter most of the state's residential and commercial gas consumers and about half of those subject to interruptible service will receive what they require from a total supply of 1.7 trillion cubic feet. Unless the price of new gas is decontrolled, however, the state will experience severe shortages in the next few years as its major interstate pipeline supplies will continue to be prevented by Federal price controls from competing for new gas supplies from onshore fields as a result of higher prices in the intrastate market.

If no new sources become available to the state, indicated total annual gas supply will shrink by 1984 to just 1.08 trillion cubic feet, far short of a potential demand of over 2.8 trillion cubic feet. Even though the state's utilities—Pacific Gas and Electric, and Southern California Gas Company—are attempting to obtain future gas from a number of sources including coal gasification, Indonesian gas fields in the Java Sea, the Cook Inlet in Southern Alaska, and the North Slope of Alaska at Prudhoe Bay, each of these potential supply sources is problematic, and none can meet the near-term needs of California's gas consumers as quickly as gas produced in the lower 48 states.

ARCO/Southern California Gas Company

Of these other alternatives, only the North Slope is an assured source of supply in the 1980's for the Southern California market—or rather was an assured source until the December 31 decision by the Federal Power Commission to end the advance-payments programs under which all North Slope natural gas except 60 percent of Atlantic Richfield's gas—4.2 trillion cubic feet—had been committed. My company had committed the 60 percent to Southern California Gas under a financing arrangement modeled on the FPC program and approved by the State Public Utility Commission. The FPC decision to exclude retroactively all Alaskan gas production from the advance payments program has thrown our contract with SoCal into question.

We are disappointed by the action of the FPC and the California state officials who helped precipitate it. The advance payments program had been in effect since 1970 as a somewhat oblique method of compensating for the uneconomically low price at which the Government has held the price of gas in the interstate market. As such, the program stimulated development of some additional gas and accelerated dedication of gas to the interstate market—a worthwhile effort if far from the total answer to the gas dilemma.

The answer to the natural gas shortage in California and in the rest of the nation is, of course, decontrolling the price of new gas and permitting the price to rise to approximately the level of the uncontrolled intrastate market—\$1.25 per thousand cubic feet. Decontrol would not enable us to meet all of an existing or potential demand which has been inflated out of proportion by more than two decades of control. But sufficient additional production could be stimulated to continue to meet the needs of the highest priority markets, and avoid the necessity of turning to far more polluting fuels, of great concern in California and elsewhere.

Senate/House Action on Natural Gas

Last fall the Senate did address itself to the problem of gas decontrol and passed a bill deregulating onshore gas as of April of this year and authorizing large interstate customers to bid for gas at free market prices. This was encouraging to us because it indicated that the truth of the natural gas shortage had at last impressed itself upon the consciousness of our lawmakers. We hope that the House will concur and by the end of this month pass a long-term bill to end price controls on gas sold interstate. This action would benefit consumers nationwide. On the other hand, we cannot ignore the fact that there are bills in the hopper which would not only continue existing controls on gas in interstate markets, but extend them to the intrastate market as well. I cannot comment on the mentality of those who advance such proposals except to say that they are out of touch with reality.

Disintegration: To What End?

Finally there is the disintegration issue which has been raised in several bills now before Congress. There are two kinds of disintegration bills. Vertical disintegration would force the large integrated companies such as Atlantic Richfield to divest themselves of all holdings beyond one aspect of the business—production, transportation, manufacturing, or retailing. Horizontal would prevent oil and gas companies, again like ARCO, from producing or distributing the so-called competing energy sources—coal, uranium, oil shale, geothermal, or solar.

Both aspects of divorcement are equally unrealistic if their objectives are, as stated, to end overconcentration in the oil business, stimulate competition, and prevent monopolies forming where competing fuels should exist.

I fail to understand how charges of overconcentration can be brought against an industry which has more than 10,000 producers of crude oil, 131 refining companies, and over 15,000 wholesalers of petroleum products competing for business. An industry in which no single firm controls more than 11 percent of the national volume at any level of operation.

Nor can I understand the notion of competing fuels. The fact is that today there are no competing fuels. We need every form of energy we can get, as fast as it can be delivered. Atlantic Richfield, for example, has large coal holdings in Wyoming which we would dearly love to market, but cannot because of complications arising out of a Sierra Club lawsuit against the Department of the Interior. We must solve the environmental issue but that problem should not obscure the fact that the basic hangup in U.S. coal development is a shortage of capital.

The coal industry today is primarily a small-company industry with no ability to raise capital to open new mines and no ability to finance the research and development that must be carried out before massive increases in the use of coal can become environmentally tolerable. We need to find new uses for coal. We need to perfect methods of turning coal into useable liquid and gaseous fuels. But the effort will entail expenditure of million, perhaps billions of dollars—and the integrated energy companies have greater access to that kind of money than do small coal companies.

Disintegration, in sum, is a flawed theory that would produce predictable results: further reduction in domestic energy supplies, delayed delivery of reachable alternative fuels, and a significant slackening in capital investment in the energy business. In the aggregate this is not a formula for enhancing energy, employment, or the economy. It would be counterproductive in all areas.

Conclusion

In one sense, I realize that it can appear that the arguments I have advanced today are at cross-purposes with this hearing. You are searching for information on the short-term employment situation, and in that respect can argue that enactment of the Energy Policy and Conservation Act was good because it will roll back the price of energy in 1976, to some small degree at least, and thereby stimulate the economy and decrease joblessness for a short time. Conversely, I argue that passage of this law is bad policymaking in that it is detrimental to the long-term employment and growth possibilities of this nation, fails to recognize the reality of higher energy costs, and defers for a damaging length of time the country's efforts to confront and solve its fundamental energy problems. As financial columnist Robert J. Samuelson said in the January 8 Los Angeles *Times* "The . . . legislation will neither save much fuel now nor keep us from having headaches in the future."

I applaud and support your efforts to deal with the disastrously high levels of unemployment in the United States today. But I would ask that you bear in mind that the consequences of our national energy strategies will be with us for many years to come and that they will have a pervasive impact upon the economic strength of the nation, including job prospects for those too young to enter the job market today. Including, in fact, those not yet born.

I believe that the public and private sectors can work together to solve the economic problems we face. The solution lies in compromise measures that will permit the country to draw upon the strength of each sector, building for the future upon the foundations of the present.

Chairman HUMPHREY. Thank you very much.

Our next witness will be Mr. Brown. We look forward to your comments, Mr. Brown.

**STATEMENT OF HAROLD BROWN, PRESIDENT, CALIFORNIA
INSTITUTE OF TECHNOLOGY**

Mr. BROWN. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, because today's hearing covers a very broad range of issues, I plan to confine my statement to the narrower but still complicated question of the relation that technology bears to employment and economic well-being. That already is a fairly broad question, and as you know, Mr. Chairman, I am often willing to answer questions outside my area of competence. But I like people to know that it is outside my area of competence.

A great deal of study has been done and attention paid to the question of how the introduction of new technologies, particularly in such areas as new energy sources and the control of environmental pollution, affects levels of unemployment. But considerable differences of opinion remain. Lately there has been a vogue of the belief that a low level of technology or a low level of capital intensity—a related but not identical characteristic—is the way out of the difficulties of unemployment.

Though the details of the subject can be complicated, my own judgment is strongly conditioned by a few facts and some extreme examples which, to me at least, indicate that the virtues of low technology are better imagined than experienced. One of the facts is that many low-technology, capital-poor countries have unemployment rates much higher than our own.

One of the extreme examples that I want to mention is that of agricultural production. Large masses of farm machinery, fertilizers, and automation certainly do reduce the number of people required to produce food for themselves and for everyone else. In the U.S. during this century, the fraction of the population so engaged has fallen from about 50 percent to less than 5 percent. I think it is actually about 4 percent now.

Surely more people could be employed at raising food if they were to go back to the horse-drawn or human-drawn plow. But I do not believe—and I should think it hard for others to believe—that the economic well-being either of the farmer or the urban population would be better under those circumstances. The situation in India is an obvious example of that.

Of course, many other individuals are employed in producing farm machinery, producing fertilizers, and all the other things that enable 5 percent of the U.S. population to feed all of us plus much of the rest of the world. But for a given amount of food, the U.S. method requires fewer total hours of labor on the farm and off of it than do techniques used in India.

To this extent, one could argue that our techniques result in lower employment. But that is true only in terms of the amount of employment needed to produce a certain level of output. Provided—and this is an important provision—that there is enough demand for other goods and services to provide employment for the difference in numbers of people required for the two different modes of farm production, employment levels need not be lower because of high technology

utilization and high capital intensivity. Indeed, it is a tautology that the higher the productivity in terms of goods and services per unit of work, the higher the average standard of living.

Of course, to a degree, I have been attacking a strawman here. But it is surprising how often this strawman is held up as a serious program by well-intentioned and otherwise well-informed people.

Given this judgment, the problem remains of adjusting the overall economy by an appropriate combination of market forces and Government actions to assure a high level of productive employment, corresponding to an output level desirable in terms of the average standard of living and quality of life. A sudden shift to a high-technology, highly capital intensive economy in a country with a peasant economy can certainly produce high unemployment when changes in educational, demographic, and social patterns are not given time to catch up. But that is not a fair description of the United States. We have to introduce technology gradually to avoid too great a disruption. But the United States is able to adjust to introductions of new technology which do increase the standard of living, and can increase the number of employment opportunities.

There remains also the important problem of income distribution. But it seems to me a mistake to reduce the output per unit of work in order to provide more jobs. Doing that invariably reduced the total output and provides less to distribute. If one wishes to distribute the work—and I think there are times when this can be an important thing to do—one can increase the average leisure time of those who are employed and at the same time redistribute income, keeping total output and hourly productivity nearly the same.

With respect to new technologies, there are many examples of the way in which their introduction has increased our living standards in a real way, and at the same time created many new jobs. Two examples are computers and jet commercial air transportation. Without them, people would not be able to travel so easily, nor would they be able to carry out business transactions nearly so easily. More things are done which people want done, and more jobs are provided at the same time.

I would suggest that at least two other factors must be considered about technology introduction, aside from temporary problems of unemployment which can admittedly be created—and can be very serious, with very serious human and social problems—when one product with a lesser labor content displaces another. These are the consumption of resources and some of the social effects of new technologies. We realize increasingly that some resources are strictly finite in quality—hydrocarbons, for example—and that others require increasing expenditures of energy, of capital investment, or in operating costs for their extraction as one uses up the naturally occurring deposits of higher concentration. It is becoming clear that new technological advances must be made and new processes devised that take account of the necessity for a conservation ethic limiting population, consumption, and encouraging recycling. In the long run, technologies like fusion and utilization of solar energy offer some hope that we can adjust to that kind of situation and still raise living standards. But that won't come quickly, and it will come more slowly yet if

people think of technology only as a creator of problems rather than both a solver and a creator of problems.

The second concern that I want to note, and note with agreement, is that new technology can bring new, or intensify existing, social problems. The population concentration in urban areas to what may be an unhealthy extent, the invasion of privacy which has been made feasible by the rapid development of communications and data processing, the threats to health by the introduction of a rapidly proliferating collection of chemical substances of increasing concentration in the environment—all of these are real problems. In recent years, the need to make assessments of unexpected second and third order health, environmental, economic, social, and political consequences of the introduction of new technologies has become increasingly appreciated. Technology assessment is just beginning to be used. Of course, Mr. Chairman, as a member of the Technology Assessment Board in the Congress, you are very well aware of the importance of advancing that activity, which I think can be of great help in the future. It can be a useful tool in helping us to decide among alternative technological solutions, rather than following the general past practice which has been to introduce the technology and then learning later about its unforeseen effects, negative and positive, and then trying to redress the negative ones.

I don't have much sympathy with the idea that we would be better off with low technology solutions. But I do think it may be at least possible to provide a choice of technologies, including some of medium scale rather than large scale. I mean by that technologies, although they have high productivity and low cost, may be associated with the production and operations carrying with them less concentration of capital, and less concentration of people in a given place. I worry about overcrowding and centralization, and it is worth factoring that into the decisionmaking process and looking for technologies that will encourage decentralization where this can be done without too great a cost in efficiency. An example exists in the recent trend toward a variety of small computers, desk-sized or even hand-held, that can work either autonomously or on input-output terminals to larger computers. And they can be used for a variety of different purposes.

Finally, I want to note specifically that new technologies for environmental protection can create new jobs. The effect will be an increase in GNP, but we must remember that the value of that increase in GNP will be in the form of lower pollution, at least lower than it would otherwise be. It won't appear as a greater per capita possession of material consumer products of the present kind. Thus, if this labor is diverted from other production, it could lower the volume of such material goods while, as I see it, still perhaps increasing the quality of life. However, when unemployment is greater than 8 percent—it is about 10 percent in California—it is hard for me to believe that environmental protection need be a diversion rather than an addition to present employment, providing that it is not done in a way that diverts capital from other job-creating activities.

Thank you, Mr. Chairman.

Chairman HUMPHREY. Thank you.

Mr. Shearer, we want to hear from you now.

**STATEMENT OF DEREK SHEARER, CODIRECTOR, CALIFORNIA
PUBLIC POLICY CENTER**

Mr. SHEARER. Thank you. I do have some critical comments on what Mr. Brown and Mr. Bradshaw said. But perhaps I will save them for the question and answer period.

Chairman HUMPHREY. Feel free.

Mr. SHEARER. I will proceed with my statement. Let me say that I welcome the opportunity to appear before this committee. Senator Humphrey was one of my heroes in 1960 when he went into West Virginia, as I saw him then anyway, as the great populist against the monied interests of the East. We were sorry to lose you then, and glad to have you back doing the business that you are doing with this committee.

I also appreciate being before Mr. Hawkins, who was one of the rare and few survivors of the great epic campaign of 1934 here in California, which a number of us still find inspiring.

For the first half of 1975, I worked as a special assistant to the California State Director of Employment where I coordinated the director's task force on economics and job creation. I would like to summarize for the committee some of our conclusions. I might add, so that there is no confusion, that we were all relieved of our commands by the Governor after we proposed these programs. So I am not speaking for Governor Brown directly.

First, we proposed to transform public service employment away from bureaucratic, paper-pushing jobs toward community-based jobs programs. One of the areas we focused on was jobs for the environment.

Recently in California, a blue ribbon committee of the State's most powerful businessmen called on Governor Brown to dispel California's image of environmentalism. Often, the environmental movement is blamed for causing unemployment, as the business leaders were suggesting. I believe that this sort of corporate blackmail is both unwarranted and built on falsehood. Protection and renewal of the urban and rural environment can be a source of millions of jobs. We can have what our consultant Patrick Heffernan called a green color revolution.

To give a few examples: While we were still in office, we contracted with the East Los Angeles Community Union to hire both unemployed teenagers and out-of-work construction workers to refurbish abandoned county jails and turn them into community centers. We also planned to have the Sierra Club work with unemployed engineers to design and build a series of bike paths across California.

Other environmental jobs exist in the construction of waste water and treatment facilities, manufacture of air pollution control devices, rehabilitation of urban and rural housing, operation and construction of transit systems, wilderness protection, energy conservation, and the production of solar energy equipment.

Our department and director endorsed the Humphrey-Hawkins Full Employment bill, although the Governor didn't know it at the time. I believe that this is one of the most important and far-reaching bills of the decade. However, the legislation is quiet on one key factor in creating jobs, namely, capital. Current public service jobs frequently

suffer from a lack of capital. Consequently, these jobs produce little in the way of socially useful products.

Now, we looked around to see if we could locate sources of public money for job creation without raising taxes. We made a study of the State's public employee pension system. We found that most of these funds were invested in out-of-State corporate stocks and bonds, principally in capital intensive industries. We are talking about \$13 billion for all public employee retirement systems in California. In many instances, the return on investment of these public funds was lower than you could obtain on a regular savings account.

We proposed that a percentage of the public employees funds be mandated to low- and middle-income housing in the State of California. Family housing is a safe investment and would immediately improve the 30-percent unemployment rate among construction workers in this State.

We also looked at another pool of public money—tax moneys, budget surpluses, and Federal grant funds on deposit. Ordinarily, these public funds are deposited in private banks with the public having little say on the investment policies of the banks made possible by these additional public deposits.

We believed that the State government, and possibly the cities of Los Angeles and San Francisco, should establish public banks and establish a clear public policy for the investment of funds from public banks.

We drafted a model bill for a State bank of California, and specified in the legislation that the bank would orient its loans toward labor intensive businesses and also toward cooperatives and community-owned enterprises.

I might point out that this is not farfetched. The State of North Dakota has successfully operated a State bank which runs at a profit and is one of the most efficient banks in the United States for over 50 years.

I am personally convinced, and I think the economic evidence bears me out, that we cannot achieve full employment and balanced growth without establishing a system of public banking at the city, State, and national levels.

I would also like to comment on the Humphrey-Javits bill, which I also find admirable. To me the central question in planning is how we democratize economic decisionmaking. The Humphrey-Javits bill refers to the need for balanced growth. Now why do we have unbalanced growth in the first place? We have it, I think, because economic decisions are concentrated in the hands of a few individuals, mostly corporate managers and bankers and Federal officials, who are often interchangeable. This elite minority is unfortunately primarily white and male. The criteria for their decisions is usually maximization of private profit. I believe we need to expand participation in economic decisionmaking to consumers, workers, and community representatives. We also need to broaden the criteria for decisions to include maximization of overall public good.

To accomplish this, we need a much more pluralistic economy, which is what we are always told we had in civics in the 11th grade. We need to go beyond the corporation, to broaden our own economic in-

stitutions to include consumer co-ops, worker-owned enterprises, and community-owned businesses.

I think, Senator Humphrey, that the Joint Economic Committee, if they would schedule hearings on alternative economic institutions, could make a great contribution. The committee could take a look at the experience of other countries: The self-managed firms in Yugoslavia, the cooperative system in Sweden, kibbutzim in Israel. These countries and others all have economic institutions in which democratic planning goes on within the enterprise itself, as well as at the level of city, State and Federal Government.

I believe that economic planning should not remain the province of the corporate elite, nor of government bureaucrats. It must become the property of all the people, as a part of their daily lives as workers, consumers, and citizens.

Thank you.

Chairman HUMPHREY. Mr. Shearer, I want to thank you for a very thoughtful and provocative statement, the kind of thing that we need, just exactly the sort of thing that we need to hear whether people agree with all of it or not. At least it opens up some new areas of inquiry and investigation.

I might say right now to the staff members of the Joint Economic Committee that are here, I would hope that they might take a look at Mr. Shearer's paragraph, to inquire through the process of hearings on alternative economic institutions, see how they operate, see what their structure would be.

You might be interested to know that some of the suggestions you have we have included in my own State where I am privileged to be a citizen. We have a large number of consumer cooperatives, as you know, in Minnesota.

Mr. SHEARER. Wasn't Minnesota one of the first States in the twenties to go into the gasoline business with a certificate of necessity, I believe?

Chairman HUMPHREY. Yes; and the bank in North Dakota, by the way, was established because the eastern banks would not loan the State any money.

Mr. SHEARER. I would also remind you that when the State of North Dakota created that bank, the private bond market first boycotted the bonds. It was the trade union council from Minneapolis that broke the boycott and purchased the bonds.

Chairman HUMPHREY. And the farmers' union, the big coups and the trade union movement. We have community-owned businesses right in one of the largest supermarkets in our city of Minneapolis. It is a community-owned enterprise. We have a kind of a mixed, I would say, a mixed economy. We have a substantial number of municipal, electrical enterprises, as well as for central heating in my State. I am very proud of the fact that it has not seemed to erode our morale. We still are quite a feisty people in being able to survive a number of difficulties.

I call to your attention too on the need to expand participation in economic decisionmaking. This is what I have been proposing in the Federal Reserve System, because the Federal Reserve System, by the way, is the choke chain, so to speak, of the whole money system. That Federal Reserve System today is controlled entirely by bankers and

people in academic life. Or when I say, "entirely," I should say significantly, substantially, and almost entirely. There is yet to be a man on there or a woman that comes from organized labor or just the labor force unorganized. There isn't a farmer or anybody that understands agricultural economics. There isn't a so-called consumer interest person oriented toward consumer interests, nor is there a manufacturer. In other words, all the people that need the money are not on the Federal Reserve Board. Just the people that control the money are on the Federal Reserve Board, and they have 14-year terms. Fourteen years. I think it is bad enough when a Senator has 6 years. Accountable to no one, their budget is not even approved by the Congress. It lives within its own little house. The Chairman of the Federal Reserve Board does not have a term that is coterminous with the President, so that you can have any kind of economic coordination. I say until that one element of our economy is looked at and remedied, we are not going to have very much cooperation or very much of the kind of planning or goal orientation that is necessary for a more vibrant and healthy economy.

The proposal that you have made here about funds is very interesting. You may have heard Mr. Dymally speak about having. I believe he called it a Federal Accounts or Federal Programs Office at the State level so that you can know what programmatic moneys are coming into a State, so that there is some chance to fashion the use of those moneys in a more rational, sensible manner; and also to be able to go out and get your share. As he indicated, Texas has a rather substantial office in Washington just combing the network to see where the money is. I can assure you that the gentleman who is here behind me, Mr. Neil Peterson, when I was Vice President of the United States ran our office in cooperation with State and local government. We were able to find literally hundreds of millions of dollars of unexpended Federal funds that belonged to localities. The localities never knew the funds were there, never knew how to apply for the funds, and obviously didn't get them.

Mr. SHEARER. We used to say in Sacramento, Senator, that our Governor has not recognized Washington yet.

Chairman HUMPHREY. Well, it is there, for good or worse. Well, I just thought I would mention that some of the ideas that you have here are matters that need to be pursued. Many of them are very, very much alive. They just need to get a good boost to them.

In reference to the Humphrey-Hawkins bill, I am very proud to be associated with Congressman Hawkins on this. I want to again say that he was really the inspiration for it. I am happy to have worked with him on it.

The question of capital—the point needs to be made that the capital that it will take to make that bill operative is capital today which is being used for nonproductive services. Much of it is available. It is just a matter of the guts, and the will, and the decision to transfer that kind of capital from nonproductive uses into productive uses.

Mr. SHEARER. Does that include military spending?

Chairman HUMPHREY. Some, indeed. Very definitely. We have to take a good hard look at where our money ought to go. But as Mr. Dymally testified, and others here, we are spending literally billions to sustain unemployment. I repeat, to sustain unemployment.

Unemployment compensation does not provide sufficient economic impetus to gain productivity. If we had better use of our funding at the Federal level and State level, Federal, national and State, we could take that huge sum of money which runs into the billions—and I mean many billions every year—and convert it into job programs in which there was capital enough to do the things that need to be done. You have listed out some of them here in your very concrete examples.

I happen to believe that the environmental industry, if you look at it from your broad perspective as you have at the beginning of your testimony, offers one of the greatest opportunities for jobs and for capital investment that this country has ever known. There is no doubt about it. It is there, and thank goodness some of the younger people in the country are beginning to recognize it. Maybe they can shove some of the rest of us around, kick us out of the way, and get it done.

Mr. SHEARER. I have some technical papers. Could I place them in the record to support the testimony?

Chairman HUMPHREY. You surely may. Without objection, they will be placed in the record at this point.

[The information referred to follows:]

[From the Nation, Oct. 11, 1975]

HOW TO PLAN IN A MIXED ECONOMY

(By Derek Shearer and Lee Webb)*

In the minds of most Americans, long-term economic planning and nationalization are socialistic. In fact, the most ardent and successful planners in the United States are the nation's large, private corporations—the *Fortune* 500—and in many respects these leading corporations are already nationalized. They operate under advantageous regulation and with a variety of government subsidies and contracts. They control sizable shares of national and foreign markets, having long ago swallowed less powerful local and regional firms. They are not run by their private owners, but by a managerial elite.

While these corporations can usually plan "product cycles," predetermine desired rates of return, and create demand for products, their control over the business environment does not extend to the economy as a whole. Powerful corporations—whose primary goals are their own growth and survival—cannot foresee and manipulate all the variables which affect the economy. Planning by single firms does not add up to a coordinated economy.

The current economic state of the country reflects both the power of the large firms and the chaotic nature of planning by isolated firms. Such respected younger economists as Barry Bluestone of Boston College and Bennett Harrison of M.I.T. contend that inflation, unemployment and uneven development are inevitable in an economy in which private firms decide where and how to invest and the government limits itself to Keynesian fine tuning. It is not surprising, therefore, that some of the country's most prestigious corporate and financial leaders are advocating a form of economic planning and investment by the federal government.

Sentiment for national economic planning and investment seems certain to grow as the recession lingers. To date, two concrete proposals have been put forward: a call by investment banker Flex Rohatyn of Lazard Frères for a new Reconstruction Finance Corporation (RFC); and a proposal from a group of academic, business and labor leaders to establish a national economic planning agency.

Rohatyn floated his idea in a *New York Times* article last December; it was followed by an explanatory interview in *Forbes* in February. As *Forbes* reported, the proposal has received support from the financial establishment. "It is essential

*Derek Shearer, co-director of the California Public Policy Center, was recently a special consultant to that state's Director of Employment Development. Lee Webb is a professor of economics at Goddard College, Vt. and a consultant on energy matters to Sen. Lee Metcalf (D., Mont.).

that we move in this direction," wrote William McChesney Martin, former head of the Federal Reserve. Gustave Levy, managing partner of Wall Street's Goldman, Sachs; Securities and Exchange Commission chairman, Ray Garrett, and Alfred Hayes, former president of the Federal Reserve Bank of New York, have spoken in favor of the concept.

Vice President Rockefeller likes the general principle. He has announced that his staff is studying the feasibility of establishing a government corporation to provide capital to the energy industry. President Ford endorsed the idea of the energy corporation in a mid-September speech in San Francisco. A look back at history offers some insight into the enthusiasm of these staunch free enterprisers for such "government intervention."

The original RFC, established by Congress and President Hoover, was modeled after the War Finance Corporation which had provided emergency loans for business expansion during World War I. The early purpose of the RFC was to extend loans to banks. Hoover viewed it as a psychological tool to shore up business confidence by letting everyone know that the federal government would keep the banks solvent.

During 1932, the RFC made loans totaling \$2.3 billion, mostly to banks, but in some cases to railroads so that they could repay loans extended by banks. The activities of the RFC were kept secret; many loans were made to banks with which its directors were connected. The RFC was authorized only to make loans; it was not permitted to purchase stock. For many banks RFC loans did not help; their problem was lack of capital, not the availability of loan money.

Under the New Deal the RFC became more aggressive. Roosevelt appointed Jesse Jones, a wealthy Texas entrepreneur, to head it, and sponsored legislation to expand its size and powers. Roosevelt and Jones wanted the RFC not just to protect the nation's credit institutions but to be an instrument of economic stimulation.

The RFC was authorized to extend loans to corporations of all types. In addition, as a pseudo-holding company it became the corporate vehicle under which a number of subsidiaries were created. The Commodity Credit Corporation supported the prices of agricultural commodities. The Electric Home and Farm Authority financed purchase of electrical appliances, particularly in rural areas. The RFC Mortgage Company and the Federal National Mortgage Association bought up mortgages to pump money into the construction industry. The Export-Import Bank, another subsidiary, provided financing for exports.

In addition, the RFC helped to finance flood control and other public works projects, offered loans for agricultural marketing and rural electrification. In the process it helped to put into business American Airlines, Tennessee Gas Transmission, and El Paso Natural Gas.

In less than two years, up to January 1934, the RFC pumped more money into the American economy than the House of Morgan had done from 1919 to 1933. By 1938, the RFC had disbursed \$10 billion.

With the onset of World War II, the RFC, through its subsidiary, the Defense Plant Corporation, became the holding company for industrial expansion. The DPC loaned more than \$9 billion, nearly half of which went to the nation's largest corporations. By 1945, the DPC had financed 2,098 plants, of which 920 were owned outright by the DPC. After the war, most of the plants were sold at bargain prices to private corporations.

Another large RFC subsidiary, the Defense Supplies Corporation, disbursed an additional \$9 billion. It helped to foster the synthetic rubber industry. Yet another subsidiary, the Metals Reserves Company, spent almost \$3 billion to purchase strategic minerals and finance the necessary processing and extraction plants. A smaller RFC operation, the Defense Homes Corporation, spent about \$75 million to construct housing for government employees. In the years 1932 to 1946, the RFC spent approximately \$50 billion, a massive amount at the time.

The point in summarizing the RFC's history is to illustrate that institutions often have a life of their own which outlasts the original purposes of their founders. Rohatyn does not, of course, advocate that a new RFC engage in as many diverse activities as the old one. He is careful to state that he envisions the new RFC as a temporary solution to current problems. When *Forbes* pressed him on whether he wasn't really advocating permanent government ownership of major troubled corporations such as Pan Am, Rohatyn replied:

If the RFC works, it won't be the first step in that direction [toward government ownership], however. Just the opposite. We're talking about *temporary*

equity investments by the government. Two, three years might be sufficient for a Lockheed or a major airline that may have a temporary problem.

Bills to establish a new RFC have been introduced in the House and Senate. Staff members of the Senate Banking Committee, chaired by Sen. William Proxmire who looks unfavorably on Rohatyn's proposal, say the Senate bill is dead for the moment. Newly elected House Banking Committee Chairman Henry Reuss is already on record against the proposal. It could, however, be revived by a new administration, if a Republican or a conservative Democrat were elected in 1976. Talk in business publications about the "Great Capital Shortage" enhances the prospect.

The advocates of national economic planning have set up temporary headquarters at the offices of *Challenge* magazine in White Plains, New York. Sens. Hubert Humphrey and Jacob Javits are the announced co-sponsors of a bill to create an office of national economic planning. Its major function will be informational. The office would accumulate, collate and analyze economic information from numerous sources, then provide the President and the Congress with alternative economic programs for both the long and short term. The committee's statement notes:

It should be clear that the planning office would not set specific goals for General Motors, General Electric, General Foods, or any other individual firm. But it would indicate the number of cars, the number of generators and the quantity of frozen foods we are likely to require in, say, five years, and it would try to induce the relevant industries to act accordingly.

Like the new RFC, the committee's proposal has its historical precedent in a creature of the 1930s, the National Resources Planning Board. Originally called the National Resources Committee, its industrial section was conceived as assisting in relief work by studying industrial plant capacity and employment opportunities. However, when economist Gardiner Means took over as research director in 1935, the committee embarked on extensive research projects designed to discover "what would constitute a balance of production and consumption at a high level." The purpose of these studies was to provide the basic data necessary for effective national planning. The committee never had strong political support within the administration and consequently its studies did not have much effect.

If an office of national economic planning were established, there is obviously no guarantee as to how the data and plans would actually be used. They could simply help G.M. to predict more accurately the market for its cars. Indeed, that is the most likely outcome. If we ask the classic question of politics—who will benefit from these proposals?—it seems clear that the answer is the large corporations.

On the other hand, a centrally planned socialist economy, run by a managerial and party elite, is not a very attractive alternative, and the results are not likely to be very different from what you get under corporate capitalism. It should be possible in the United States, a country with strong democratic traditions, to establish a system of economic planning and mixed ownership that is open and accountable to the citizens and geared to publicly debated and generally accepted goals. We should begin by selectively borrowing from the experience of other countries.

Canada, for example, recently created a government holding company, the Canadian Development Corporation, that buys shares in private companies threatened with foreign takeover. It also purchases small private companies with a potential for expansion and helps to reorganize them, with a view to making Canada more competitive in the world market and less dependent on American subsidiaries. Its overall purpose is to foster Canadian ownership of business.

Canadian governments, at the provincial level, successfully operate public enterprises as both a source of revenue and as a way to achieve social goals. In British Columbia, the government has saved jobs in the northwest by purchasing timber and paper plants. In 1974, the provincial government established an insurance company, ICBC, whose assets are to be invested in provincial housing and industry. This year, a publicly owned British Columbia Savings and Trust was formed. A conservative government in Alberta last year purchased an airline, Canadian Pacific, to assure control over the province's economic development: it has also established a public oil corporation. In Saskatchewan, a public land bank helps family farmers by purchasing land and leasing it back to those who would otherwise be forced out of farming. Both the Saskatchewan and British

Columbia governments make loans and grants to producer and consumer co-ops, as well as to small businesses.

France has both national planning and public enterprise. The major banks and insurance companies were nationalized immediately after World War II, along with Renault, the leading car manufacturer. Electric companies and the leading oil company are publicly owned. The government prepares five-year plans. The process is a cooperative one in which planners work closely with the top firms. An expert on the French economy, Prof. John Sheahan of Williams College, notes that the problem with French planning has not been the planning mechanism itself but the fact that successive conservative governments have refused to set distinct goals for the planners. He writes that the mild success of French national planning has been aided by the existence of major public firms. French public enterprises have been in the van of postwar French economic recovery, far outperforming more stodgy private firms. However, public firms have not distinguished themselves in the treatment of workers. Employees at the French public banks recently struck over what they viewed as high-handed and authoritarian management.

While the Italian governmental bureaucracy is hopelessly inefficient, strangely enough government-owned enterprises have been run efficiently and dynamically; and they have been the key factor in Italian economic growth since World War II. IRI—a state holding company which began under Mussolini in the 1930s when Italian banks went under and were rescued by the government—operates firms in steel, airlines, cars, telephones and electronics. A separate holding company, ENI, is active in the energy field. Acting under a legal requirement to invest a certain percentage in the underdeveloped southern region, IRI and ENI have creatively followed the government's directives and built modern plants in the south which are competitive in the Common Market.

Public enterprises in Sweden have recently been consolidated under a state holding company. Sweden also boasts a strong cooperative sector which has successfully fought monopoly policies of private firms. The government has pledged to support industrial democracy; it has passed laws putting employee representatives on many boards of directors and encourages private firms and labor unions to experiment together with less hierarchical work arrangements.

In Israel, trade unions, through Histadrut (the trade union league), own and operate business enterprises. On the *kibbutzin*, community-owned co-ops produce a variety of agricultural and industrial goods.

The Labour government in England has proposed a National Enterprise Board (NEB) which would purchase shares in leading companies in the dynamic growth sectors of the economy. The board would also engage in non-coercive planning agreements with large private firms on the size and location of investments. The board would make grants to private and public firms that were requested to take actions which might be unprofitable but socially desirable. Anthony Wedgwood Benn, leader of the left wing of the Labour Party and an advocate of public ownership, has stated that firms in which the NEB takes ownership would experiment with worker participation. The Labour government has also loaned funds to groups of workers to establish Britain's first cooperative newspaper, the *Scottish Daily News*, and to purchase the Triumph motorcycle works.

The United States does not need more accurate forecasts of industrial output, which is what a national economic planning agency would provide. Economic planning should begin by setting publicly debated social-economic goals, and follow that by devising a combination of micro- and macro-economic mechanisms to realize them. For example, the economic rights spelled out in Roosevelt's famous 1944 speech to Congress—a decent job, housing, health care, food and education for every American—should be adopted as national goals. Then policies should be adopted to accomplish the desired ends.

Real full employment—i.e., a job for every citizen willing and able to work—could be achieved by passing the Equal Opportunity and Full Employment Act of 1976, sponsored by Sen. Hubert Humphrey (D., Minn.) and Rep. Augustus Hawkins (D., Calif.). The bill would make full employment the law of the land and require the President to follow economic policies and programs that would guarantee jobs for all. That is the sort of national economic planning that Americans will support and that is desperately needed.

There are other goals beyond FDR's Economic Bill of Rights. These include controlling inflation, "smoothing out" economic development by eliminating ghettos and regions of poverty and, above all, changing the distribution of ownership

of economic enterprises. In fact, controlling inflation and remedying uneven development are contingent on altering ownership. A recent poll by the Peter Hart Co. indicates that a majority of Americans favor a broadening of ownership patterns. They believe, according to the poll results, that economic democracy, wherein workers and consumers participate in and actually own corporations, is a desirable national goal.

Such economic pluralism means a society with a diverse, diffused, heterogeneous pattern of ownership, with government, co-ops, unions, pension funds, churches, community organizations, workers and millions of private families all participating. This new ownership movement, which is already spreading, has its roots in existing enterprises that are reminders of the country's Populist past. Legacies of that Populist tradition include city-owned and -operated power plants and distribution systems. North Dakota has had a state-owned bank since 1919, and Wisconsin boasts a fifty-year-old state-owned insurance fund. In the 1960s, community-owned corporations aided by OEO grants sprung up in a few cities. Recently, a group of workers in Vermont purchased the asbestos plant that employed them.

This year, Assemblyman Charles Warren introduced a bill in the California legislature to create a state-owned oil and gas corporation. The city of Los Angeles is studying the feasibility of establishing a city-owned development bank. The Massachusetts legislature is debating a bill that would establish a state power authority. The legislature has recently formed the Massachusetts Development Finance Corporation to assist a variety of enterprises—private, community-owned, worker-owned and consumer-owned—by providing start-up capital and technical assistance. In New York, the legislature is seriously debating the establishment of a state-owned bank.

Similar bills and projects could be proposed in other cities and states. However, if this new ownership movement at the state and local levels is to be successful, it will ultimately need help from Washington.

One possible finance mechanism is the National Co-op Development Bank. A bill to establish this bank is currently being drafted by a group that includes Ralph Nader and the Co-op League of the U.S.. The Co-op bank would lend money to such cooperative ventures as credit unions, housing, health care, food and child care, and to other user- and producer-owned enterprises. In addition to loan funds, the bank would operate a special "self-help development" fund to make equity (investment) capital available to co-ops in low-income areas. The bank's branches would provide technical and management assistance to users, and each would have an advisory board composed of co-op members and experts.

Senator Humphrey and others have outlined legislation to create a National Domestic Development Bank that would provide long-term financing at reasonable interest rates for expanded public works. That is too limited. A National Development Bank should be part of a strategy to diversify ownership. Through regional offices, such a federally owned bank would provide money to state and local governments to meet enormous needs in the public sector for mass transit, housing, pollution control and waste management, and for schools. More important, loans and technical assistance would be available to groups of workers and unions wishing to purchase the companies in which they work. Funds would be provided to establish farm ownership agencies that would enable states to purchase farmland and lease it to family farmers or farm-worker co-ops. Money would be loaned to state and municipally owned banks, and to state and municipal governments to finance acquisition of private utilities.

Moving toward this sort of pluralist economy will, of course, be opposed politically by business interests and fought economically by the large corporations. The power of the *Fortune* 500 must be reduced, and an element of public control over prices and investment is necessary. But outright nationalization of entire industries is neither politically nor economically desirable. Rather, a strategy of competitive public enterprise coupled with noncoercive economic planning should be adopted.

A government holding company—it might be called the American Enterprise Fund—should be created as the vehicle for establishing a publicly owned industrial presence in the profitable and expanding dominant sectors of the economy. The fund would purchase at least one major firm in the oligopolistic industries; auto, steel, computers, drugs, insurance, etc. These public companies would be run, like the Canadian Crown companies, as competitive enterprises in each of the fields. They would be civil service-exempt, run efficiently, but open and publicly accountable to Congress and the President. This concept has already been

introduced into political debate by Sen. Adlai Stevenson (D., Ill.), who advocates a federal oil and gas corporation.

The fund might rescue some failing companies, but chiefly for the purpose of protecting jobs in hard-pressed areas. Assistance to private companies in financial difficulties would carry with it an equity position in the company. This would give the fund both a say in the company, including public representation on the board of directors, and the opportunity to enjoy any future profits and capital gains. That is a much wiser use of public money than the current practice of aiding troubled private firms with loans and subsidies, the public getting nothing in exchange but higher taxes. If Pan Am, for example, wishes public money, then the public should obtain stock and representation on the board of directors.

When the Council of Economic Advisers or Congress wanted the fund to pursue certain social goals in its investment policies, such as unprofitable bailouts or regional development, grants would be administered and accounted for out of a separate fund. Non-economic goals should be made explicit and publicly debated, in contrast to the current system of obscuring these judgments through tax loopholes and various subsidy programs.

The fund would acquire firms in the dynamic, growth-initiating sectors, not the passive, growth-dependent ones. Therefore, railroads, if nationalized, should be operated by a separate government corporation. By acquiring firms in the growth-initiating sectors, the fund could lead development into certain technologies and regions because a leading company brings with it many related privately owned suppliers and subcontractors.

In addition, competitive public enterprises can affect the behavior of private firms by producing and selling safer and more sensible products such as a readable insurance policy, a long-lasting light bulb, or a compact, nonpolluting car. The competitive public enterprises would also set an example by adopting more democratic work arrangements, including union participation in decision making.

The fund would be completely owned by the government of the United States, civil service-exempt and directed by an independent board similar to that of the TVA. It could establish completely new firms, as well as purchase existing ones. It would also be able to engage in joint ventures with private firms. While the parent holding company would be entirely publicly owned, subsidiaries could be permitted a minority private ownership as long as no one private group or individual held too great a percentage of the stock. The competitive public enterprises owned by the fund would be subject to the environmental, product and safety codes prevailing in the particular industry.

The staff of the fund would work closely with the Council of Economic Advisers to draw up noncoercive plans for overall monetary and fiscal policy and for long-term investment strategy. The fund-owned public sector would provide the council with accurate data and an association with companies more responsive than private firms to cooperative action with government.

The comprehensive economic reform program which we've described will inevitably be labeled socialistic. If socialism is defined as both a democratic government and a democratic economy, accountable to public representatives and not to a rich and powerful elite, then this is democratic socialism. In any event, it is a pluralistic economy.

The label is not important. As Ralph Nader has said on numerous occasions, "Socialism or capitalism—I don't care what word you use. Just tell me, is it thoroughly democratic?"

PUBLIC PENSION FUNDS AS A SOURCE OF CAPITAL FOR JOB CREATION*

Investment decisions by federal, state, and local governments and major private investment institutions help determine the social and economic priorities of our society. For example, the decision of the federal government to invest in highways and the protection of South Vietnam in the 1950's and 60's has had major national and even international ramifications. The decision by the banks in a particular city that a particular area has become a poor investment often leads to a serious deterioration of that area resulting from a lack of financing for the maintenance of existing housing and new construction.

*Prepared for James Lorenz, director, California Employment Development Department, by Edward M. Kirshner, urban and economic planner, Oakland, Calif.

Spending priorities of federal and local governments have come under greater scrutiny in recent years. However, the investment policies of public employee retirement systems, a major source of capital in this country, still remain largely beyond the pale of public examination and discussion. The subject seems to have little "sex appeal" and the managers of the funds have done little to contribute to the discussion.¹

Presently, public employee retirement systems (pension funds) in California have over 13,000,000,000 (13 billion) dollars in assets. These funds are invested principally in corporate bonds and stocks. The primary goal guiding the investment of these assets is to secure a pension for present and future retirees. No one takes issue with this goal or its primacy.

In fact, pension fund managers while maintaining that they are protecting the future security of the retirement systems, have made decisions which have seriously hurt the future security of the pension systems. Furthermore, there has been little discussion of the impact of particular investment policies of these huge sums of capital in relation to the interests of the public employees' employer, the citizens of California, despite the fact that investment decisions can have a major impact on the California economy. Pension fund managers have traditionally rejected the view that investment policies should consider public as well as employee interests.² Ironically the socially neutral types of policies they have pursued have led to unsound investments, in common stocks and long-term low yield bonds.

The purpose of this paper is to suggest a policy of investment in low and moderate income housing and community development which would act to create jobs, thereby serving the broader interests of the citizens of this state, while still meeting the goal of providing adequate benefits to retirees.

I. Background: Public Employee Pension Systems in California

About one million state and local employees—12% of all employees in the labor force in California—are members of public employee retirement systems.³ Five public employee pension systems are administered at the state level: the Public Employees Retirement System, the State Teachers Retirement System, the University of California Retirement System, the Legislators Retirement System, and the Judges Retirement System. In addition, there are over 53 locally administered retirement systems.⁴

The Public Employees Retirement System (PERS) is the largest in the state. It includes state employees and local retirement systems which have chosen to join the PERS. Most medium-sized and smaller county, city, and district retirement systems have joined the PERS.

The administration and investment policies of the state systems, county systems, and district systems are governed by state law.

THE INCOME OF THE RETIREMENT SYSTEMS

Pension fund income is derived from contributions by public employers, public employees, and income from the investment of pension fund assets in approximately equal amounts.

For example, in the case of the PERS, employers are required to contribute an amount equal to 7.65% of the compensation paid to members to the retirement system.⁵ The rate of contribution for state patrol members is 27.57% of their compensation.⁶ For state safety members the rate is 15.10%.⁷ Employees are required to contribute an amount equal to from 6 to 8% of their pay to the

¹ One county retirement administrator in response to a request for a list of county retirement system investments replied: "It is not our policy to furnish outside people with our annual statements, listing of securities, . . . unless specifically requested by the State Agency."

² Finally, while it may be desirable to invest in projects for the good of the community, it is questionable whether such investments should be made at the expense of the members of the retirement systems, or the indirect expense to the local taxpayers, where an investment of this type produces a yield lower than the yield on comparable investments elsewhere. "California Public Pension Systems. An Interim Report to the California Legislature" by the Senate Subcommittee on the Investment of Public Funds, p. 51, November 1974.

³ See Table 1.

⁴ *Supra* note 2.

⁵ Government Code 20750.1.

⁶ Government Code 20750.2.

⁷ Government Code 20750.3.

retirement systems.⁸ Income from investments equalled \$322 million for FY 73-74. Employers' contributions totalled 339 million dollars and the employees' contribution was 278 million dollars.⁹

Employers and employees each contribute an amount equal to 8% of employees' pay to the State Teachers Retirement System.¹⁰ For the FY 72-73 the teachers contributed \$248 million; employers contributed \$234 million and income from the State Retirement System was \$156 million.¹¹

Income from the investments of the assets plus employer and employee contributions in most cases in California is equal to about three times the retirement benefits which the systems are currently providing. As a result the assets of the systems are increasing at a substantial rate each year. The book value of PERS assets rose from \$4.8 billion in June '72 to \$5.4 billion in June '73 to \$6.1 billion in June '74.¹² State Teachers Retirement System assets have increased from \$1.9 billion in 1971 to \$2.6 billion in 1973.¹³

The policy of increasing retirement system assets is geared towards the goal of "funding" the retirement systems. When the systems are totally funded, income from the assets of the retirement systems will be sufficient so that even if contributions by present employers and employees to the systems ceased, there would be enough income to pay all retirees benefits. The "funding" concept has become a cornerstone of public pension policy. It is consistent with policies developed for private pension systems maintained by companies and unions that are free to go out of business at any time. It greatly varies from the social security system which relies primarily on present contributions to pay retiree benefits.

TABLE 1.—MAJOR RETIREMENT SYSTEMS—MEMBERSHIP, INVESTMENTS, AND YIELD

System	Active members	Book value of investments	Yield ¹ (percent)
Public employees retirement	2 500,209	\$6,100,000,000	5.74
State teachers retirement (as of June 1973).....	266,840	\$2,600,000,000	6.09
University of California retirement.....	50,594	\$696,000,000	5.13
Los Angeles City employees retirement.....	19,822	\$389,000,000	5.49
Los Angeles City fire and police pension.....	10,223	\$329,000,000	5.58
Los Angeles County employees retirement asso.....	72,779	\$1,357,000,000	5.9
San Francisco City and County employees retirement (as of June 1973).....	26,500	\$629,000,000	(*)

¹ Formulas used for determining yield vary from system to system. In some instances rate of return on the book value of assets is computed while in others rate of return on market value of assets is computed.

² State, 177, 823; local, 322, 386.

³ Not reported.

Note.—Other retirement systems with over \$100 million in investments include: Alameda County, San Diego County, city of San Diego, Contra Costa County, Los Angeles City water and power.

STATUTES GOVERNING INVESTMENTS

Investments of retirement system assets are administered by the retirement system boards within the confines of state law. Separate but similar sections of the California Codes govern investments by each of the retirement systems.

PERS investments "except as otherwise authorized by law . . . are subject to the terms, conditions, limitations, and restrictions imposed by the laws of the state upon savings banks in the making of investments."¹⁴ In addition to the above limitation, the PERS may invest not more than 25% of its assets in common stocks, and not more than 5% of its assets in preferred stocks.¹⁵ The stock must be registered on a national securities exchange or in a company which has capital

⁸ Government Code 20603: State members shall contribute an amount equal to 6 percent of their compensation to the PERS. The rate for local members is 7 percent. State and local safety members are required to contribute amounts equal to 8 to 9 percent of their compensation to the PERS.

⁹ Public Employees Retirement System, Forty Third Annual Financial Report of Operations.

¹⁰ Education Code 14026 and 14100.

¹¹ State Teachers Retirement System, 60th Anniversary Annual Report, December 1973.

¹² PERS, Forty-Second Annual Financial Report and Report of Operations, and Forty-Third Annual Report, supra note 9.

¹³ State Teachers Retirement System, 60th Anniversary Annual Report, December 1973.

¹⁴ Government Code 20205.1.

¹⁵ Government Code 20205.2.

funds in excess of 50 million dollars.¹⁶ The PERS may also invest in real estate used for business or residential purposes, not to exceed 10% of the assets of the PERS.¹⁷ And, it may invest in "real property which will be sold or leased to a public agency . . . issued to finance a public building and secured solely by such buildings or revenues, rentals or receipts received from operation of such buildings."¹⁸

The limitation of retirement system investments to investments which are legal for savings banks is also included in sections governing investments by the State Teachers Retirement System, County, and City Retirement Systems. Savings banks are authorized to invest varying percentages of their capital in bullion, stock of federal reserve or home loan banks, federal obligations, state, county, city, and district bonds, bonds of other states, Canadian public bonds, obligations of federal banks and the federal national mortgage association, tax anticipation notes, bonds of local public housing agencies, bonds secured through the Federal Housing Administration, corporate evidences of indebtedness, fixed interest railroad bonds, and bonds of public utilities.¹⁹

County Employees Retirement Systems are subject to restrictions similar to those placed on the PERS.²⁰ However, the County systems are also authorized to invest up to 25% of their assets in deeds of trust and mortgages secured by real property.²¹

The State Teachers Retirement System may invest its assets in common stocks as well as investments authorized for savings banks.²² It is not authorized to invest its assets directly in real estate.

University of California pension fund investments are not governed by state statute. Furthermore, it is unclear to what extent they may be governed by statute, since the California Constitution gives the Regents "full powers of organization and government, subject only to such legislative control as may be necessary to insure compliance with the terms of the endowments of the university and the security of its funds."²³

The State code governs the investment of city retirement system funds. However, the cities which have their own retirement systems are usually charter cities which are not governed by state law covering the investment of pension assets. The state courts have not decided whether investments of retirement assets by cities are purely a "municipal affair" and therefore cannot be governed by state law, since there have been no attempts by the state legislature to govern their investment.²⁴

Investments of public employee retirement systems could be regulated by the state in order to achieve the goals proposed in the paper to the greatest extent possible. Undoubtedly, the state can regulate investments by the PERS, the State Teachers Retirement System, and County Retirement Systems. It is possible that the courts would rule that the charter city pension systems and UC pension system can also be regulated by the state on the basis that their investments are matters of statewide concern.

Provisions allowing for investments in stocks by state and county pension systems were adopted by the legislature in 1967.²⁵ In the following years there has

¹⁶ Government Code 20205.2(a)(2).

¹⁷ Government Code 20205.4.

¹⁸ Government Code 20205.5.

¹⁹ These investments are authorized for savings banks by Financial Code Sections 1352-1366, 1369.

²⁰ Government Code 31595 et seq.

²¹ Government Code 31595(f).

²² Education Code 13920.

²³ California Constitution, Article 9, Sec. 9.

²⁴ The argument might be raised that city pension funds are a "municipal affair" and therefore cannot be governed by state law in the case of chartered cities. Article 11, Section 5 of the State Constitution states that: ". . . city charter adopted pursuant to this constitution shall supersede any existing charter, and with respect to municipal affairs shall supersede all laws inconsistent therewith."

The question of whether a particular matter is a municipal affair is for the courts rather than the legislature to decide. *Bishop v. City of San Jose*, 1 Cal. 3d.61 (California Supreme Court). The courts have had difficulty establishing guidelines for determining what is a municipal affair and have not decided whether local pension funds are a municipal affair.

In the case of local pension funds it could be argued that they are a matter of statewide concern since they involve the financial strength of local governments and the welfare of retirees who otherwise might become a burden on the state.

²⁵ PERS Government Code 20205.2, State Teachers Retirement System, Education Code 13920 (1971), County Employees Retirement Law of 1937 (amended), Government Code 31595.4.

been a significant shift by many retirement systems to investments in stocks. PERS investments in stocks now comprise 21% of its investments as opposed to 2% in 1967. Los Angeles County Retirement System's stock holdings comprise 22% of its assets as opposed to 1.6% in 1967. San Francisco City and County Retirement System's stock holdings comprise 20% of its holdings. In 1967 the San Francisco system had no stock holdings.

Pension fund managers advocated these shifts in investment patterns on the basis that they would result in higher and/or more secure yields and capital growth for the retirement systems. At the same time they have argued against socially oriented types of investments which they claim would not be secure. In fact, investments in stocks which now amount to billions of dollars, have had very low rates of return and have suffered major losses in value. Long term low-yield corporate bonds have also experienced major declines in value.

TABLE 2.—BOOK VALUE OF INVESTMENTS OF CALIFORNIA PUBLIC PENSION SYSTEMS
(In millions of dollars, as of June 30, 1974, unless otherwise indicated)

System	Total	U.S. and Canada Government bonds	Utility bonds	Corporate stocks	FHA-VA Mortgages
State teachers retirement (June 1973) ...	2,696	251	1,246	114	148
PER	6,102	353	1,890	1,285	765
Los Angeles City employees retirement ..	389	0	118	71	4
Los Angeles City fire and police pension ..	329	22	66	110	0
San Francisco City and County employee retirement	629	34	292	127	0

The latest annual report of the PERS indicated that its stock investments had declined 18% in value. Their book value was 1.28 billion dollars, while their market value was 1.05 billion dollars.²⁶ Utility bonds had suffered a 22% decline from a book value of 1.89 billion dollars to a market value of 1.38 billion dollars.²⁷ The PERS Annual Report to the Governor and Legislature states that: "The portfolio rate of return, (on equities) including dividend income and realized and unrealized capital gains and losses for the 6½ years of the program (of investment in equities) declined to minus 3.6%."²⁸ Yield from investments on 195 million dollars in stocks bought in FY '73-74 was only 2.39%.²⁹ Other systems have similarly experienced low yields and losses on stock and bond investments.

The Los Angeles City Employees Retirement System reported a 3.07% rate of return on stocks as of June 1974.³⁰ The University of California retirement system reported a 3.7% rate of return on common stocks (which account for over half of the system's investments.)³¹

Overall rates of return on retirement system investments compared unfavorably with rates of return on time deposits in savings banks, U.S. bonds, and FHA-insured mortgages during the same period.³²

II. An investment policy for California

It is against this background of investments in low yield stocks and bonds that a shift in investment policies is proposed. In considering investments of new funds and redirection of existing investment funds, yield and the benefit to the public must be taken into account. Pension fund experts consistently argue that yield rates and security should be the only consideration in making investments. The relation of the impact of substantial pension fund investments on the California economy, employment, and local property tax bases is overlooked when yield and

²⁶ Supra note 9.

²⁷ *Ibid.*

²⁸ PERS, Annual Report to the Governor and Legislature (December 1974).

²⁹ Supra note 27.

³⁰ City of Los Angeles, City Employees Retirement System, Annual Report for the Fiscal Year Ended June 30, 1974.

³¹ University of California Treasurers Annual Report for the Fiscal Year Ended June 30, 1974.

³² See table 1, for data on average yields of retirement systems.

TABLE 3.—RATE OF RETURN ON PERS AND SELECTED INVESTMENTS, 1960-74¹

Year	PERS		Savings banks time deposits (1 yr or more) ³ (percent)	U.S. Government securities (3-5 yr issues) (percent)	FHA new home mortgage yields (percent)
	Investments book value (millions)	Rate of return before administra- tive expenses ²			
1960.....	1,202	3.72	3.00	3.99	6.18
1961.....	1,390	3.93	3.00	3.60	5.80
1962.....	1,549	4.10	4.00	3.57	5.61
1963.....	1,749	4.20	4.00	3.72	5.47
1964.....	1,954	4.26	4.50	4.06	5.45
1965.....	2,190	4.30	4.50	4.22	5.46
1966.....	2,418	4.40	5.50	5.16	6.29
1967.....	2,711	4.54	5.50	5.07	6.55
1968.....	3,040	4.70	6.25	5.59	7.13
1969.....	3,409	4.87	6.25	6.85	8.19
1970.....	3,797	5.14	7.50	7.37	9.05
1971.....	4,274	5.37	7.50	5.77	7.78
1972.....	4,799	5.52	7.50	5.85	7.53
1973.....	5,433	5.59	7.50	6.92	8.08
1974.....	6,102	5.74	7.50	7.81	9.47

¹ The data in this table is contained in PERS annual reports, the Federal Reserve Bulletin, and the Economic Report of the President (1975).

² Administrative expenses average .10 percent per year.

³ Maximum rates on time deposits in denominations of 100,000 or more were suspended in 1973. Figures for 1973 and 1974 are for deposits of less than \$100,000 by governmental units.

fund security are discussed and considered.³³ Presently, the majority of pension fund assets are invested outside of the state.

Evaluating the detailed tradeoffs involved in different types of investments is well beyond the scope of this paper. However, the few figures discussed below clearly indicate that an evaluation of this type needs to occur before investment decisions are made.

Prevailing high conventional interest rates for new construction are a major cause of the present slowdown in construction and depression in employment in the building trades. A policy of investing at a 6% interest rate in new and rehabilitated housing would help alleviate a serious shortage in low and moderate income housing in the state³⁴ and would generate increased employment. (Each housing unit built or major rehabilitation of a housing unit would produce approximately one person year of direct employment.) These in turn would generate increased property taxes, a major source of income for pension systems, and increased income taxes. Pension fund managers emphasize yield when considering what investments should be made. In considering yield several possible issues should be raised. A one percent difference in the rate of yield on a one billion dollar pension fund investment will make a difference of 10 million a year in income to the pension fund. One billion dollars in housing construction might generate 30 million dollars a year in additional property tax revenue,³⁵ and millions of dollars in increased income tax revenues, without even considering the multiplier effect of pumping one billion dollars into the California economy and the social benefits of decreased unemployment and an increase in the housing supply. Yet such considerations have had no real place in pension investment policies, despite the fact that the employer is the public.

³³ The legislature has stated its concern that pension investments contribute to the California economy. Legislation governing investments by the State Teachers Retirement System, includes the following statement of intent:

"In order that the intent of the Legislature may be made clear to the Teachers' Retirement Board, with respect to investments as provided by this act, but without restricting the necessary flexibility that must exist for the successful investing of the retirement fund the Legislature makes this declaration of its desire that the board shall give primary consideration to dealing with counseling and brokerage firms which maintain offices and staffs in the State of California so that the investment program may make a meaningful contribution to the economy of the state. It is further the desire of the Legislature that the retirement fund shall be used as much as reasonably possible to benefit and expand the business climate within the State of California, so long as such use would be consistent with sound investment policy." Education Code 13894 note (Stats. 1971, c. 870, sec. 7).

A similar statement is included in code sections governing the PERS. Government Code 20205.2 (Stats. 1967, c. 1510, sec. 4).

³⁴ Interest payment on a \$25,000, 30-year amortized loan would be reduced from \$210 per month to \$150 per month if the interest rate were reduced from 9½ percent to 6 percent.

³⁵ This figure is based on the assumption that the average property tax rate is \$12.00 per \$100.00 assessed valuation.

A CALIFORNIA DEVELOPMENT BANK AS VEHICLE FOR INVESTMENT

The investment of public pension funds in accordance with this proposal might best be implemented by means of a California State Development Bank. We propose that within five years from approval of the proposed policy, half the assets of each affected public retirement system be invested in such a bank. Our intention is to effect a redirection of these public assets, but to allow for flexibility with respect to liquidation of past investments. During these first five years, at least half of all new retirement system assets would be deposited in the State Development Bank.

The State Development Bank, in turn, would be required to loan 80% of its portion of public retirement funds in housing, real estate, and directly related community facilities in conformance with our proposal. The remainder would be invested in rural and industrial development.

The proposed investment policy would lead to the investment of at least 8 billion dollars in housing in California within the next five years.³⁰ The types of growth in employment and tax revenues outlined above could occur. The rate of return on these investments, about 6% a year, would be equal or higher than present rates of return for retirement systems.

A HOUSING POLICY

Eligible Borrowers

Under the proposal, mortgages would be available to owner occupants, to owners of lower income rental units who agree to specified rent control requirements, to resident-owned nonprofit housing cooperative corporations, and members of affected public retirement systems for new and rehabilitated housing units.

Safeguarding Assets

All mortgages made under the program would have to be insured by public or private guarantors (or mortgage insurance paid for by the mortgagor).

Maintaining Yield

To assure that the proposed investment policies would not be at the expense of an adequate yield on investments, the average yield on investments in housing would have to be equal to the average yield of the retirement system's investments for the prior three years.

Tying mortgage interest to the performance of these other major investments would maintain a single standard of acceptability for the new investments and might check possible resistance to redirection of existing investments. Otherwise, it is likely that retirement systems would find, for example, that a six percent yield on housing investments is unacceptable, while a three percent return on corporate stocks was considered adequate.

GENERATING EMPLOYMENT AND INCOME

Loans would be made primarily for new construction and rehabilitation in order to serve the goal of creating jobs rather than simply accelerating property exchange. This contrasts with present pension system policies of investing in securities rather than production. Refinancing without rehabilitation would not qualify, except in specific instances.

An exception to the prohibition on refinancing would be made where rehabilitation costs represent at least 20% of the amount loaned, and the interest rate on the outstanding debt on the housing is higher than the interest rate available through the program. Otherwise, secondary loans would be available to owner-occupants.

Another exception to the prohibition on refinancing would be for housing converted from rental to non-profit resident ownership, with 20% of the loan invested in rehabilitation.

Rehabilitation when compared with new construction offers the advantage that it is the most labor intensive form of housing activity. For each dollar of investment in housing rehabilitation, half to two-thirds directly pays for labor. New construction generates one-third to half of a dollar in direct labor for each

³⁰ This is a conservative estimate based on the assumption that new pension fund investments will be about 1 billion a year for each of the next five years.

dollar invested. Therefore, two-thirds of the housing investments should be allocated for rehabilitation. A 1.6 billion dollar annual investment in housing could create between 40,000 and 80,000 direct jobs a year and an equal number of jobs indirectly.³⁷

Channeling extensive public resources into housing rehabilitation allows another state interest to be served. Disinvestment in our housing stock is a chronic problem. In the long run it is more economical for the state to rehabilitate housing than to allow further deterioration, which necessitates subsequent costly demolition and new construction. These economic benefits are complemented by the social advantages of maintaining existing housing and neighborhoods.

TARGETING HOUSING TO LOWER INCOME PEOPLE

Lending policies should be geared towards the needs of low and moderate income people. Construction, land costs, and interest rates have become so high that low and moderate income people can no longer afford to buy newly-constructed homes.³⁸

A first step in making housing available to low and moderate income people is to link interest rates to the borrowers' ability to pay. While the average rate of interest paid on loans made by the retirement system would be set according to the yield of the system's stocks and bonds (about 5 to 6% currently), the actual rates charged borrowers could be spread, according to income.

The interest rate should be set so that borrowers with a median income for their area would pay the average rate of interest. The rate would be adjusted upward for borrowers with a higher income. (For example, the interest rate may be raised $\frac{1}{4}$ % for each 10% that the borrowers income exceeds the median). Loans should only be made for housing units that cost the same or less than the average unit purchased by a household of the same size.

MAINTAINING THE LOW COST OF HOUSING

The restrictions on the mortgage program that have been described thus far will effectively create a new supply of housing priced within the range of moderate income owner-occupants. Yet even though reduced interest rate loans can initially deliver new or rehabilitated housing to them, that improved housing is usually lost to this income group once ownership is transferred. At that point, the housing reverts to market pricing, which allocates good quality housing to higher income people.

Deed restrictions are needed which require the original borrower to sell the housing unit to another moderate income owner-occupant, at a price that takes into account the time that the original borrower lived in the housing and changes in the cost of equivalent housing or the cost of living (whichever is lower). The deed restrictions would spell out pricing formulae to disallow speculative gain and updating of market value.

LOANS FOR RENTAL UNITS

A relatively high percentage of low income people are tenants.³⁹ As housing costs increase, a greater percentage of middle income people may be tenants. Many of the homes in the greatest need of rehabilitation are rental units. In order to avoid the creation of windfall profits for the owners of rental units, it is essential that rehabilitated units still be reserved for lower income people and that rent control be a condition of loans made to rental property owners.

³⁷ This figure is equal to one-fifth of the approximately 8 billion dollars that would be invested in housing over a five-year period under our proposal.

³⁸ The median sales price for single family units sold in April 1975 was \$39,500. The average interest rate was 9 percent. Housing and Development Reporter 123 (June 30, 1975).

Monthly costs for mortgage payments (30-year amortized loan), property taxes, fuel and electricity, and maintenance are about \$400 per month for a dwelling costing \$39,500 if the purchaser makes a 20 percent down payment. A family needs an income of \$20,000 per year in order to afford such high payments.

³⁹ As of 1969 about 46 percent of all families with an income under \$10,000 were tenants, while 24 percent of all families with an income over \$10,000 were tenants. Bureau of the Census, 1970 Census of Housing, Supplementary Report: Income in 1969 of Families and Primary Individuals in Owner and Renter Occupied Housing Units for the United States. Series HC(S1)-10, October 1972.

LOANS TO COOPERATIVE HOUSING CORPORATIONS

Despite the linking of mortgage interest rates to borrowers' incomes, the potential of the program so far to make decent housing available to lower and moderate income people is quite limited. The interest rates, given the requirement that the yield to pension funds on investments in housing equal the present yield of the pension funds on investments in stocks and bonds, cannot go low enough in order to make housing units available for purchase by low and moderate income persons. To help bring prices down to levels they can afford, it is necessary to form housing cooperatives.

The nonprofit housing cooperative corporation is a singularly effective mechanism for delivering new or rehabilitated housing to low-to-moderate income people, and is especially well suited to implementing the policy goals identified in this proposal. The price of housing can be lowered by savings inherent in nonprofit cooperative ownership. Each dollar of pension assets loaned for new or rehabilitated housing will return substantially more than funds invested in conventional forms of ownership.

Cooperatively owned housing also merits special consideration as an investment for pension funds because this form can insure that the housing targeted to lower income people will remain available to them in the long run, even when there is a high turnover.

The housing cooperatives would be non-profit, resident-owned cooperative corporations which retain a single mortgage for all units. The fact that the loan is repaid by a number of households, and the virtual certainty that the loan will go to term means that certain forms of loans, not appropriate for single households, can be issued in addition to conventional loan forms. These loan types are designed to reduce mortgage payments for cooperative members, especially in the early years, as a means to reaching lower income people, and at the same time stimulating demand for housing construction and rehabilitation.

100% Financing

Loans to housing cooperatives can be issued for 100% of housing costs.

Index Loans

Index loans can be issued to housing cooperatives. They differ from conventional payment loans in two respects: the interest rate is disaggregated into a basic rate of return and a factor compensating for inflation or deflation, which is adjusted annually. The actual payment is determined by applying the annual compensatory factor to the basic rate.

We recommend that the following guidelines for index loans are followed: (1) the average basic rate of return be equal to the average rate of interest on multi-unit housing mortgages for twenty years prior, less the average rate of inflation for twenty years prior; (2) the factor which is used to compensate for inflation or deflation be equal to the consumer price index, or per capita charge in disposable personal income, whichever is lower.

Land Banking

Another form of loans to housing cooperatives would involve State Development Bank purchases of land which would then either be leased to the cooperative at a rate that recovers the cost equal to the mortgage interest rate over a hundred year lease life, or selling or leasing the land to the cooperative on a deferred payment basis, with recovery of full interest in later years, preferably after the mortgage on the structure has been retired.

Eligibility of Members

The cooperative would be organized around the principal that resident owners pay 20 to 25% of their income in housing expenses (each household's share of the mortgage plus expenses). The spread of income in a cooperative could be as great as possible considering the interest payments of the cooperative as a whole, local conditions, and the ability of the cooperative to attract members willing and able to make monthly payments in the higher range.

PUBLIC IMPROVEMENT LOANS

The impact of a dramatically increased housing activity needs to be coordinated with public improvements.

When capital improvements are needed to complement construction or the rehabilitation of housing, the improvements will directly generate increased

employment, and indirectly contribute to the locality's economic well being and tax base.

Improvements that would be eligible for loans would be those serving the residents of the new or improved housing. Obsolete facilities could be improved or new facilities built. Examples are sewer systems, underground utility distribution lines, roads, capital expenditures for public transit, parks, libraries, schools, day care centers, and health facilities. A special category might be loans from the Teachers Retirement System to provide school improvements needed in association with housing.

Two methods of repayment of these capital improvement loans are possible. Redevelopment tax increment financing can be used if redevelopment districts have been set up in which case debt ceilings would not apply and a referendum would not be necessary since a general tax liability would not be incurred.⁴⁰

We are proposing that localities be allowed to borrow the equivalent of 20% of the loans issued for housing rehabilitation or construction for capital improvements associated with that housing. The interest rate of these capital improvement loans would be the average of the lending pension system. The term for the loan would be the same as the term on the associate housing mortgage.

EXPANDING THE PROGRAM

The only sources of capital mentioned so far for the State Development Bank and the housing loan program have been public retirement system assets. Even though the amounts seem formidable, it should be pointed out that additional appropriate sources exist.

Budget Funds

The State of California maintains accrual, carryover and cash flow accounts which could be deposited in the State Development Bank. These funds might support the interim loans for construction and rehabilitation activities generated by the mortgage program.

Capital Gains Surcharge on Property Transfers

A progressively structured surcharge on the capital gains of real estate transfer would be complementary to the housing loan program. Its proceeds could be used for administrative costs associated with the housing loan program, and also provide housing subsidies for households that need additional assistance.

It would be especially fitting to provide for low income people's housing needs out of this tax on speculative gain.

The value of property, up to the median value for the region (SMSA or County) would be exempt from the surcharge. Value above the regional median would be taxed according to a progressive schedule.

Union Pensions

In order to encourage labor unions to follow similar policies in the investment of their capital, the State Development Bank should match each dollar of union pension assets invested in conformance with the proposed program. The source of these matching funds would be the public pension funds—over and above the 50% of their assets already allocated to the State Development Bank.

POLITICAL FEASIBILITY

The policy changes we are recommending are sufficiently dramatic that they would seem impossible were it not for the current economic crisis. There are many people who are now in touch with the costs of not changing policies.

An initial negative reaction that should be expected from retirement system members should be perceived as temporary. Many will feel suspicious that large-scale tampering with their retirement system threatens the benefits they have paid for so dearly. At the same time that they will have to evaluate the changes, they will need to learn about current investments. Any presentations of the subject should do justice to both aspects of the problem.

The special provisions made for the current or aspiring homeowners among them to receive lower interest loans should be attractive to them.

Opposition from lending institutions which compete for borrowers or funds for housing construction should be expected. Some of the flavor the negative

⁴⁰ See Health and Safety Code, Sec. 33,000 et seq.

response we anticipate can be described. During a local election in a small California city, the issue was raised of redirecting local pension funds out of corporations doing business in South Africa, and into a local housing program. After the election the local pension systems were transferred into the PERS.

We anticipate that there can be substantial positive support to counterbalance the negative responses. Unemployment is now sufficiently widespread that most families in the state have some experience with it (some more than others, of course). The building trades have been among the most critically affected. The prospect that solutions are being attempted on the state level should be warmly welcomed.

Once implemented, the program's support should accelerate. The activity and employment created by the program will be visible.

Any rural land reform and industrial development components of an extended State Development Bank's program could similarly gather support.

JOBS FOR THE ENVIRONMENT—THE COMING GREEN COLLAR REVOLUTION

(By Patrick Heffernan, University of California at Berkeley)

The second largest public works program in the State and in the nation today is the construction of wastewater treatment facilities to meet the standards of the Clear Water Act. Other environmental protection programs in California that provide meaningful work for thousands of Californians include the manufacture of air pollution control systems, the operation of mass transportation systems like Bart, and the rehabilitation of urban housing. This challenges the conventional wisdom that the protection of the environment and the creation and protection of jobs are mutually exclusive. In fact, protection and renewal of the urban and rural environment of California can be a source of significant employment in the private sector.

The current employment crisis is not a short term disease, like a cold, that we can cure and forget about. It is rather one of the symptoms that present profit and growth oriented economic system the State and the nation depends on to produce not only the necessities of life, but the jobs we all depend on for survival, is not working. It parallels another symptom that has been ignored by those who attempt to decipher and guide the economic machine, the destruction of the environment we also depend upon for the necessities of life. The two are tied together and must be approached together. Unemployment in California can now be seen as an opportunity, unpleasant to many, for a reexamination of the assumptions of the present economic system, and experimentation with solutions and approaches that attempt to address not only the immediate crisis, but the need for a long-term shift in priorities to prevent the occurrence of more and greater crises in the future. A truly "ecological" approach sees the unemployed—the human worker—as a participant in the natural life support mechanism, and recognizes that employment must also mean replenishment of the environment and development of the human person. Diversity, human scale, community orientation, self-sufficiency, and recognition of longer term consequences and needs are a part of that ecological approach . . . a Green Collar Revolution.

With this in mind, employment programs are submitted, each designed using the criteria of a new agenda for California:

1. Reduction or nonexpansion of government services and involvement.
2. Protection of the present environment and/or renewal of damage to the environments of the state, both urban and rural.
3. Self-sufficiency and satisfaction for the employed through the development of new marketable or personally useful skills.
4. Implementation possible in a variety of time frames, rather than a rush attempt to meet today's crises.
5. Development of immediate programs into long-term employment.
6. Reinvestment to the state of front-end investment whenever possible.
7. Utilization of existing state, community, environmental and labor organizations whenever possible to prevent expansion of state staffs and programs.
8. Fostering of cooperation among environmental, labor, and community-minority organizations.

Programs submitted fall into environmental categories, such as urban rehabilitation, wilderness protection, and pollution control. They also are identified by

time frame, i.e., short, medium and long term. Cooperation among state agencies is stressed in several of the recommendations, as is cooperation between citizen groups and cooperation with the private sector.

Programs are listed in brief descriptions and detailed in separate reports. A chart showing key points for comparison follows.

The list is by no means exhaustive and the time frames listed are not restrictive. All of the listed programs have medium term potential and most can be developed to provide long-term employment.

Suitable for Short-Term Implementation.

1. Unemployed teachers and college graduates work with cities and to develop field environmental data currently not available but required for proper planning and for completion of EIR's. After initial training, the researchers could train unemployed youth to collect samples and record observations under the supervision of the researchers. Pilot project could be launched in suburban developing counties such as Santa Barbara, San Diego, Marin; in geothermal counties of Lake and Sonoma; three to five researchers and eight to ten youth in each county.

2. Begin retrofitting of state buildings with devices to conserve energy and water. Unemployed construction workers and welfare dropout youth would be trained in the techniques and equipment and put to work on one or more buildings.

3. Retrofit state buildings in southern California with alternative energy systems. The technology exists now and can be installed by unemployed construction workers to reduce or totally eliminate dependence on standard energy sources.

4. Start up and operate local paper, glass and metal recycling centers in ghetto neighborhoods. Local welfare and unemployed resident would be employed and the proceeds could be returned to the community.

5. Set up local wine-bottle washing and return centers similar to Alameda County's Encore program. Residents are paid to work in the program and the proceeds of the sale of bottles to wineries not only pay those who bring in bottles but can make the program self-supporting.

6. Training and creation of air and water pollution patrols in conjunction with or similar to those operated by volunteers of the Oceanic Society San Francisco. Unemployed junior college and college graduates, and ghetto youth can be trained to identify photograph and sample pollution. Boats and planes are supplied by environmentalists, who receive a federal tax writeoff. Patrol members are trained by and supplement pollution control agencies and Coast Guard.

7. Teams of unemployed youth are trained in the mechanics of 10-speed bicycles and tour city and suburban schools and service clubs holding bike clinics and encouraging the use of bikes.

8. Unemployed and welfare men and women are trained to drive and maintain passenger vans and are enrolled in a program to supply jitney and dial-a-ride service in transportation-poor areas. Participants would eventually pay for and own vans and become self-supporting.

9. The Association of California Loggers and the Resources Agency combine forces and CETA funds to train unemployed loggers in the techniques of the environmentally protective "skyline" logging (required in some areas by the regulations of the Board of Forestry). Skyline-trained crews are rare or non-existent in the State.

10. Urban gardens are established in roof tops and vacant land in cities using federal matching available for this purpose. Residents are trained in vegetable gardening and paid to supply the community with fresh vegetables.

Medium and Long-Term Implementation Programs

11. The State institutes the use of recycled paper in all possible state operations and begins to collect and recycle all of its paper.

12. The State undertakes retooling of its printing facilities to use nothing but recycled paper. This includes Xerox, which is asked to develop and convert its machines to recycled paper. (Actually, new Xerox machines will print on just about any paper; the only known hangups are in the paper feed mechanisms, easily solved by requiring paper from the recycle plants of correct weight and texture.)

13. Unemployed youth and welfare recipients are trained with LEAA funds by local sheriffs, police, and federal enforcement agencies to police the illegal use of off-road vehicles, dirt bikes and dune buggies on State and Federal lands.

14. State mandates the retrofitting of all ORV's, dirt bikes, dune buggies and racing boats with noise control equipment to reduce noise to acceptable levels.

Currently operating ORV and motorcycle shops would be certified to perform the necessary testing and installation at the owner's cost.

15. State requires the construction of bicycle parking areas in all public facilities and begins installation in state buildings.

16. The Association of California Loggers and the Resources Agency combine forces to recruit and train unemployed loggers to restock state lands that have been cut over and not restocked or restocked poorly.

17. The Association of California Loggers and the Resources Agency combine forces to recruit and train unemployed loggers to establish and manage restocking nurseries to provide seedlings to public and private restocking programs.

18. The State uses federal mass transportation funds and Prop. 5 funds to initiate the construction of bicycle trails and lanes that will enable bikes to go anywhere cars can now go. Combined with 7. and 14. (above) this can have the effect of increasing the use and sales of bicycles in the State and reducing a small amount of auto traffic.

1. *Development of environmental data bases for city and county planning and EIR use*

The environmental data required for site-specific planning and project environmental impact statements or analysis does not now exist in California county and city files. Some information is acquired from environmental impact statements filed by developers or staff, and some is available, usually in broad scales rather than site-specific from regional, state and federal agencies. When a project is proposed by private or public agencies, the site must be field-researched, an expensive process. The same costs are incurred when staff needs information for planning.

Program. Cities and counties and state agencies hire and train unemployed teachers and/or college graduates with natural science backgrounds in the type of data required, the analysis techniques, and the collection techniques. These people, the researchers, then train unemployed youth or dropouts to collect samples and observations in the field, under the supervision of the researchers.

The program could provide badly needed low-cost information to agencies, employ a valuable resource—college-trained people, and not only employ high-school dropouts and unemployed youth, but introduce them to the environmental and natural sciences in an exciting first hand way.

The program will also lower the cost of agency planning and of EIR's requiring field research and basic data. The researchers would also learn new skills in research and the natural sciences.

Funding sources: CETA funds allocated to prime sponsors who are cities and counties; 701 planning grants; WIN money; matching city and county budget funds.

Potential Co-sponsors: Association of environmental Professionals; Urban League; ESSO and other community action groups (recruiting and screening); AIP; Institute of Ecology; AFT and CTA.

2. *Retrofitting of State Buildings to Conserve Energy and Water*

Few, if any, state-owned or operated buildings were designed to incorporate present energy and water conserving services and technology. The state not only pays for this in higher energy and water costs, but misses a valuable opportunity to show the citizenry and the nation that conservation is possible and is a viable alternative to offshore oil, atomic power and other energy development programs.

Program. Unemployed construction workers are hired and trained in the installation and operation of water saving devices and energy saving retrofit technology. They are employed in a building-by-building program designed by staff from the Energy Resources Conservation and Development Commission, State Water Resources, and Water Care. Devices and technology include insulation, electric pilot lights, wrapping hot water lines, window shades and the installation of opening windows, landscaping with water-saving plants, buried water systems with timers and tensionmeters and others.

Funding Sources: CETA and WIN money for labor and training; ERDA and ERCDC research and development funds; general fund, to be reimbursed from utility savings.

Spin-off benefits. Training in a growing industry. Creation of market for development energy-conservation industry in the State.

Follow through for long-term. Mandate through legislation that all future state built, financed or operated buildings be retrofitted for energy and water conservation, or it be designed-in prior to construction.

3. Retrofit Southern California State Buildings with Solar and/or Wind Generation Equipment

A parallel action to the conservation program outlined above would be the addition of solar or wind generation equipment to state buildings located to use such equipment. Solar heating and power units are manufactured by a number of firms, as are wind generators. Systems can be added to replace or supplement commercial power sources. The same symbolic advantages would accrue as in 2., above, and the front-end costs would be amortized by the utility savings. Labor supplied by unemployed construction workers trained in the use of the equipment by the manufacturing firms using OJT or CETA funds.

Both this and 2., above, could first be tried on a pilot basis to determine the average amount of savings on one or two buildings and then an entire program developed for the long-term based on the actual amount of savings. Provision of such a market would also spur the development of the industry in the state.

Fund sources. ERDA and ERCDC grants; CETA, OJT funds; general fund.

Potential Co-sponsors. AFL-CIO and Building Trades Council; ERDA and ERCDC; equipment manufacturers.

GREEN COLLAR REVOLUTION

1. Cities, counties and state agencies hire unemployed teachers and train them to do field research to develop necessary data bases for environmental assessments. Unemployed teen-age youth hired and trained to work under graduates to take water samples, air samples, noise samples, soil samples, vegetable and flower identification.

Would provide building needed, low-cost information to lead agencies who must write or contract EIR's for public and private projects. Will also lower cost and time required for EIR's for public and private agencies who must complete EIR's requiring uncollected basic data.

Would also train unemployed in two marketable skills: management of research team and natural systems data collection. Would give urban and rural youth opportunity to see and *understand* ecosystems and introduce them to natural sciences in an exciting way.

Funding Source: 701 grants where possible; local prime sponsor CETA, WIN and other federal grants.

Sponsors: Joint sponsorship by: AEP, League of California Cities, AIP, CSDC, ATA, AFT. Community action groups should be used to locate and screen youth.

2. The State should initiate and continue a program of retrofitting all state buildings with water and energy conserving equipment. Not only with this resulting in long-range reduction in the State's energy and water costs, but will create construction jobs, a training program in the equipment and installation, and most importantly, an incentive and a market for state representative (EPC) to seek and locate manufacturers and suppliers of this equipment.

Additionally, all new state purchased, rented or constructed buildings should be required to install or design in water and energy conserving technologies.

Program should begin with a few demonstration projects in different parts of the State requiring different techniques (i.e., Southern California amortization of front-end costs by utility savings should be calculated (and publicized!!)) and a more complete statewide program budgeted for 1976 based on savings. This would provide long-term jobs for those trained and a guaranteed market for new manufacturers.

3. In parallel with the state buildings E-C program, all housing built with state funds, loans, subsidies or other state involvement should be required to design in (or retrofit) water-saving and energy-conserving technologies, and where appropriate, a percent should be required to have full or partial solar or wind systems.

Short-term: The State, through the E-Com and ERDD should convert a number of suitably located state-operated buildings and housing to convert to solar/wind or other alternative power sources.

Funding: E-Com R & D; ERDD grants; CETA training.

Sponsors: E-Com, UCLBL, housing groups, construction unions, environmental groups.

4. Recycling

1. At present, the State does not recycle the hundreds of tons of paper it uses nor does it purchase recycled paper for use in significant quantities. In this regard it is behind such organizations as the Bank of America, Del Monte Corporation and other companies who do recycle and use recycled paper. Currently the New York Ecology Center collects and recycles virtually all of the paper, computer cards and read-outs, of the Wall Street banking community and the stock exchange. No such effort exists in California although hundreds of neighborhood recycling projects do operate using volunteer unpaid labor. Many of these are partially subsidized by cities and counties because the low demand for recycled material does not pay overhead, forcing the organizations to go to the taxpayers for help.

Recommended State action:

1. *Short-term:* Develop neighborhood recycling centers and pick-up programs in several urban areas (similar to the Berkeley Encore Program). Pick-up, sorting and transportation jobs should be funded by CETA and returns on the material sale. Labor recruited from unemployed minority youth screened and trained by the Urban League, ESSO and other community action groups. Local ecology centers and environmental organizations supply know-how and organization—working with community action groups to build friendship and partnership.

Mid-range: Encore II. This is a program based on the Encore I program currently funded by Alameda County Board of Supervisors. Currently Alameda County is supporting an experimental wine bottle recycling program with general revenue-sharing money. Encore accepts specified sizes and shape of wine bottles from consumers for payment. Encore employees sort, cull, wash and sterilize all bottles (using specially designed low-energy water recycling intermediate technology equipment) and pack in recyclable cartons the bottles and ship them to participating wineries. The wineries pay a reduced price for the bottles passing on the savings. The potential of this program is demonstrated by the fact that Californians drink 72 million gallons of wine and throw away 110,000 tons of wine bottles every year.

Encore II Description. Californians drink 72 million gallons of wine and consume 110,000 tons of throw-away glass bottles. This is an enormous resource that should be tapped for jobs, price reductions and energy savings.

1. Establish collection centers and routes—centers could be set up and operated in state buildings or other central areas with high traffic, such as welfare and unemployment offices. Centers can be run by currently unemployed who would accept wine bottles for payment, sort and pack the bottles, using CETA, WIN Funds, et cetera.

2. Contract with environmental groups to construct and operate washing facilities. (where not presently available), funds for equipment to be loaned or granted to groups who would sell clean glass to wineries. Cost of equipment to be paid from proceeds, along with overhead and operating expenses. Workers in collection centers and washing centers should be paid by CETA Funds until bottle income would support salaries.

5. *ORV's, dune buggies, dirt bikes and other energy-intensive and environmentally destructive recreation modes.* The growth of dirt bikes and ORV's in California has been tremendous and devastating to the environment. Damage caused by these vehicles includes excess noise, erosion of local (close to home) undeveloped areas, massive destruction of state and federal park land and archeological sites, loss of thousands of tons of irreplaceable soil through erosion, plus the waste of thousands of gallons of gasoline and oil.

Employment potential. While the sales and service of dirt bikes, ORV's and related vehicles does account for jobs in the state, majority of the manufacturing is done overseas, out of state, constituting a net capital loss to the state. Re-channeling this capital into environmentally acceptable recreation formats would have double benefits therefor.

1. *Short-term:* Mandate the inspection of every dirt bike, ORV, dune buggy, et cetera, to ensure that emitted noise is at or below acceptable noise level (approximately 7 decibels for neighborhood operation). This would require the retrofitting of approximately 20 million vehicles with mufflers and engine cowels by presently operating bike shops. Shops would be certified by CHP in much the same way current smog, headlights and brakes are certified. This would require the hiring and training of hundreds of new people.

2. Use local and state LEAA funds to train and pay unemployed young men and women to assist sheriffs, CHP, local police, park rangers and BLM personnel in the location and citation of vehicle operators illegally using federal and state park lands for ORV's and dirt bikes. Eventually salaries should be paid from citations and license fees. Trainees should be able to later qualify for full positions as peace officer or rangers.

6. *Pollution Enforcement.*

Currently air and water pollution violations frequently go undetected because of gross understaffing in the surveillance units of state and federal pollution control agencies. To combat this the Oceanic Society has formed a pollution patrol of boat and airplane owners (who get a federal tax write-off) using high school and college student volunteers who patrol the coast, bay and selected areas spotting pollution, taking samples, shooting photographs, filing complaints and evidence. (They also occasionally assist police and Coast Guard with rescue operations.) Unfortunately, the training, while not complex or complicated, costs \$50 a shot—thus eliminating all but the affluent youth. The youth who do train for these positions serve on the Oceanic Society's boats and planes as spotters, photographers and samplers.

Program. Using CETA and possibly HEW Environmental Education grants, the ARB and State Water Quality Control Board would train young unemployed high school and junior college students and Vietnam veterans in the identification and sampling of air pollution and water pollution and the filing of necessary reports. The Oceanic Society, boat clubs, Sierra Clubs, Pilots Association are encouraged to provide plane and boat time to add patrols to the Oceanic Society's schedule, getting the allowed tax benefits. ARB and Water Quality staff should supplement the basic training with courses in waste water treatment plant operation (jobs now available) and air pollution control enforcement.

10. *Bicycles*

1. Unemployed construction workers should be hired to build bike trails allowing bicycles to go anywhere a car can go. At the same time all state buildings, public buildings, shopping centers, sports arenas, et cetera, should be required to convert a certain percentage of their parking space to bike racks using bike corrals or coin lock systems. Currently almost as many bicycles are sold and operated in California and in the nation as automobiles, but their use as any significant form of transportation is restricted by the fact that they are not allowed on many of the state's roads, highways and freeways, and many destinations do not allow for the use of bicycles.

The establishment of such a program and the expansion of the availability of services to bicycles would allow Economic Development Commission and other state officials to solicit the establishment of bicycle manufacturers in California. Although bicycles probably will outsell cars this year, there is currently no United States based assembler or manufacturer of 10-speed bicycles, the most popular variety. California should develop a market and assist in the establishment of such a manufacturing operation here in the state.

2. The establishment of bicycle repair and training teams should be undertaken using CETA funds to travel and teach the art of buying, repairing and riding bicycles. CETA funds to local community action groups, environmental groups and school districts could be used to assemble and train these teams and put them on the road going to schools, service clubs, youth clubs, et cetera, explaining to them the intricacies of buying good 10-speed bicycles and, more importantly, of maintaining them once they bought them.

11. *Transportation*

Jitney systems. State would purchase 100 used good condition, high efficiency, such as VW, vans, 9 or 7-passenger variety. Community action groups recruit and screen 100 owner-operators of these vans. CETA funds supplied to the community action groups and transportation groups are used to train owner-operators to drive and maintain the vehicles for commercial use. Community action groups with technical assistance from city traffic planners and Cal-Trans develop work-delivery routes for each driver to take three or four van loads of people from doorstep to work, BART station, bus or train station and return them home. During the day vans would circle neighborhoods and provide inexperienced door-to-door transportation to neighborhood residents who are unable, or unwilling to take buses or cabs. Fares would be set at a flat rate, (i.e., 50c such as in Stockton). Money would be collected at the end of each

day from lock boxes, not accessible to drivers or robbers, by community action groups who would perform accounting. Drivers will be paid a flat monthly salary plus a bonus for income earned over their basic costs.

Pay back of vehicle, gas, oil, maintenance and accounting costs to CAG will be taken out of proceeds.

While drivers pick up and deliver passengers outside of their immediate community, they would not be allowed to compete with cab companies serving the larger areas but who usually do not serve the ghettos where these kinds of services are necessary.

A pilot dial-a-ride project should be attempted using state funds to furnish radio equipment and telephone lines to community action neighborhood offices either in homes or store fronts to provide neighborhood residents of communities with transportation services. Community could be defined by the dialing area of the telephone number of the community action groups. Residents would phone the community action groups who would radio the vans for pick-up and delivery. Additional passengers would be picked up along the way as they request. Cost of radios, telephones and dispatchers to be paid and amortized by revenues, if possible.

Driver training and job expectation would cover more than just driving and maintenance. Drivers would be trained and expected and encouraged to assist passengers with packages and children, offer information on available community services, assist passengers and residents with protection from street crime and be prepared to render emergency para-medical level first aid service while regular first aid services respond.

Funding: CETA, LEAA, Cal Trans, Federal Highway Act money, Proposition 5 money, revenue-sharing and block grants.

Drivers would be encouraged to paint or have local school children paint their vans distinctively in a manner that identifies them, using murals, designs, et cetera. Drivers would have to average 80 trips a day to cover estimated costs and earn about \$500 a month at 50¢ a trip. If initial experience indicated this was not possible, although cab driving experience indicates it is, subsidies from Cal Trans or Federal Highway Act moneys could be considered. This does not calculate state welfare and unemployment savings. Subsidy to the driver would be delivered in the form of below-cost or free accounting insurance, parts, state tax deductions, fee waivers and gasoline, thus allowing operators to maintain the status of independent business people. Of course, at the end of a specified time they would have paid off the vans and owned them themselves.

Behavior of drivers would be monitored by the community action groups and vehicles would have to be inspected frequently by CHP to insure they are maintained properly and pleasantly. Owner-operators would, of course, have the use of the vehicle on their own time, something many now do not have. Drivers would be allowed to leave the program taking their equity when they found another job. State would assign a vehicle to next on the waiting list.

Jitney-Mall

Goal: Employment, human service, reduction of noise and pollution in our cities.

Mayors of cities would be invited to participate in the pilot project. Mayors would agree to close congested areas of the cities to all auto traffic allowing them to keep savings and maintenance of police. Incoming auto traffic would be directed by media information to various existing public parking lots which would charge a fee. Independently operated jitneys would shuttle from lots to closed areas where they would deliver passengers to their destination, including assists with children, packages, et cetera. Advertisements in or on the vans would identify businesses in areas who would also be mentioned in the media campaign. If area was large enough, small electric cabs such as those presently used in Germany or Holland (or even pedicabs) would provide smog-free quiet and unusual internal transportation. Cabs would be operated by unemployed/welfare persons who would charge flat rates and have salaries subsidized by city from parking revenue and Proposition 5 funds and CETA funds. Capitol Mall would be a good test for this.

12. *Forestry*

Training in high-lead logging and sky-line logging techniques. Alan Clarke and Dave Snoderly of the Association of California Loggers are currently investigating the need and application of high-lead logging techniques. Initial investigation for EDD revealed that little or no talent exists in the state for these techniques and that it would be quite useful in the mitigation of logging damage.

In some cases the regulations of the Timber Harvesting Act require this kind of logging.

If the ACL investigation is positive, CETA funds in logging counties should be assigned to ACL to operate a high-lead and sky-line logging training program on state lands. Resources personnel in forestry would cooperate by providing access to state forest lands, equipment (where possible) and talent (where possible). The ACL would recruit unemployed loggers and timber operators, contract training crews, if required, provide management and accounting services required. Timber operators and crews trained in high-lead techniques would be given favorable consideration in their later application for timber harvesting permits where they specify the use of high-lead and sky-line logging techniques. They would be certified by the Division of Forestry.

Replanting. Reforestation on private and public lands logged in California ranges from "showcase" excellence to dismal or not at all despite the requirements of Sections 912 and 913 of the Board of Forestry Regulations. Reforestation on public lands is currently done by convict labor with very poor results. Reforestation on private lands is done by logging employees with the same good to poor results. Overall reforestation in California is negligible, however, according to resources personnel.

Using CETA funds and other federal grants, unemployed loggers trained in the proper reforestation techniques would be put to work under Division of Forestry supervision on state lands. Private land owners could contract with timber harvesting operators who have reforestation trained crews to restock to meet the Board of Forestry Regulations. The Association of California Loggers could be designated as a sponsor for this and recruit and organize the training sessions. Division of Forestry would supply the seed stock and the University of California School of Forestry or Agricultural Extension or the Division of Forestry would supply the talent. Later budget allocations by Resources Agency could be used to hire trained crews to reforest state lands. This will require Resources lead-time to build restocking nurseries—an added source of jobs.

Restocking Nursery Training. Unemployed loggers and others could be trained to operate restocking nurseries. Later state programs could provide for the employment or incentive to invest in owner-operated businesses of restocking nurseries. This would have to be paralleled with tough enforcement of restocking requirements under the Board of Forestry Regulations.

13. *Urban Gardens*

Although the initial jobs for self-sufficiency program mentions only one possible urban garden program, suggestions and other examples abound. Federal funds are available from the Department of Interior to cities on a matching basis for gardening expenses. Talent for training for *complete* urban food subsistence is available from UC Berkeley's Urban Garden Ecosystems program and through Antioch College and the Los Angeles Ecology Center. Economic and Social Opportunities Organization in Santa Clara is now developing an urban gardens program for unemployed and welfare people. Specific state urban gardens programs could be designed with assistance from Helga O'Kowski of Antioch College and Tom Javitts, UC Berkeley, and others. This should be investigated in more detail because of the large scope of potential programs.

Urban planting and beautification. Trees and plants not only add beauty to cities, but also absorb pollution. Currently Congressional Legislation is pending that would allow cities and counties to pass on to the Federal Government certain costs involved in planting and maintaining trees. This should be discussed in detail with federal officials and university experts.

JOBS AND THE ENVIRONMENT—IMPROVING THE QUALITY OF LIFE OFFERS AN
EXCITING PROSPECT OF NEW JOBS

(By Patrick Heffernan)

For the past decade, American business has been telling the American worker that any serious attempt to reduce pollution and improve the quality of life is going to cost his job. Enforcing standards for clean air, water, and amenities, the story goes, will raise prices, close plants, and divert the investment capital needed to keep America employed. Corporate executives such as those at U.S.

Steel, have backed up these claims with threats of shutdowns and layoffs whenever state and federal agencies have started to get tough with specific polluting facilities. Such threats are especially effective today, as indicated in a recent *Time*-Yankelovich survey, which found that 25 percent of all Americans are afraid of losing their jobs.

This is a fear that many elements of business and labor have translated into demands that we relax pollution standards and open up our coasts and wildlands to massive energy development, all in the name of lower prices and more jobs. Actually, environmental standards and programs, rather than eliminating jobs, are currently significant sources of employment. They will become main generators of new jobs in the next few years.

Nevertheless, environmental leaders have been hard put to deal with this question. The corporate strategy of putting environmentalists against the poor, the worker, and the consumer has been especially effective with politically powerful labor unions. With the current rate of inflation and rising unemployment, any program accused of costing jobs is under heavy attack. Environmentalists in the past have stressed the long-term benefits of a clean and healthy environment, but information now available shows that a national commitment to the goals of restored environmental quality will at once create millions of jobs and reduce our demand for energy and raw materials.

In 1972, Chase Econometrics reported in their summary of *The Economic Impact of Pollution Control* that an increase in short-term employment can be expected as pollution-control equipment is installed from 1975-77 or 1978. The studies, commissioned by the Environmental Protection Agency (EPA) and the Council on Environmental Quality (CEQ) covered air and water pollution, noise and radiation control, solid-waste disposal and recovery, and the reclamation of strip-mined lands. The consultants estimated that employment would first rise slightly as investments were made in environmental controls, dip by less than one percent after installation was completed, and then level off in 1982. The study was a macroeconomic analysis, a broad look at the impacts on the nation's economy using mathematical models.

Jobs lost through specific plant shutdowns (less than 70 plants by 1974) and jobs gained through non-industrial programs, such as mass transit and recreation, were not considered. Economists at Chase and the EPA stress that the figures are not meant to be precise predictions and do not take into account future technological breakthroughs and unexpected changes in the economy. However, the 1972 Chase study demonstrated that business could not support its claims of massive unemployment resulting from pollution-control efforts. A realistic estimate of potential jobs resulting from environmental programs has to be pieced together from dozens of scattered manpower studies in state and federal agencies and private industry.

The number of jobs that have been created to renew and protect the environment topped one million this year, according to EPA estimates, and may double by 1976 if current programs are continued. To date, less than ten percent of the required investment has been made to meet pollution-control standards, meaning that the next three or four years will see billions of dollars invested and million of new jobs created in manufacturing, construction, research, and other areas.

The largest single source of environmental jobs is the Federal Water Pollution Control Act of 1970. The EPA estimates that more than 25,000 employers now engage some 150,000 people in operating and maintaining water-pollution-control equipment in accordance with the act's standards. Over 400 private companies manufacture water-pollution-control systems and parts, employing an additional 20,000 persons, according to the *Journal of the Water Pollution Control Federation*. Deputy EPA Director John Quarles told a congressional committee last October that over 55,000 construction workers were on the job installing wastewater treatment facilities across the nation. This number is more than doubled by the private and municipal crews that are now laying the sewer lines and connections to the new plants.

Altogether, a total work force of 220,000 to 250,000 is employed in the effort to clean up the nation's waters. EPA estimates that 123,000 new jobs will be added this year to those in equipment manufacturing and operation, 70,000 in installation construction, and 109,000 in operation and maintenance of publicly owned facilities—a total of 300,000 new jobs. EPA and private industry estimate that by the end of the next year over a half million persons will be employed in building, installing, and operating water-pollution-control facilities, the

second largest public-works program in the nation. EPA expects investment and employment in water-pollution-control programs to increase until 1977 or 1978, eventually reaching a total of \$30 billion in equipment purchases and operating payroll.

Ironically, there is a shortage of labor in the existing plants despite the nation's current eight-plus percent unemployment. Authorities in the EPA's Office of Education and Manpower Planning report that many positions as treatment plant operators are unfilled. One EPA staffer complained that the budget for many training programs will run out this year, and that standards may not be met because of a lack of trained people to fill the jobs.

Solid-waste control and resource recovery represent the nation's second largest source of environmental jobs, with nearly a 100,000 people employed (including truck drivers), according to EPA's Task Force Study Preview on Issues and Manpower Training. The CEQ estimated in its Fourth Annual Report on Environmental Quality that the resource-recovery and collection industry spent almost \$4 billion in operations and maintenance in 1973, creating a sizeable payroll in collection, disposal, and recycling. The CEQ is optimistic that solid-waste recovery employment will jump 20 percent by the end of 1975, and that many of the new jobs will be in resource recovery and in energy generation using solid waste. This optimism is based on the rising cost of conventional disposal methods plus the increased value of the recovered resources and the potential energy that can be developed from the nation's solid waste.

At least 18 cities are now designing energy-recovery facilities that will use solid waste as fuel. Thirty other cities began reviewing plans for similar plants last April, representing a potential energy conversion of over 36,000 tons of refuse a day. Construction of all 30 plants would require an investment of \$4.6 billion and thousands of new jobs in collection and plant operation. The EPA estimates that by 1980, 48 major population regions can recover 1,259 billion BTU's of energy from their solid waste, and that 42 such regional plants are now being considered for completion by the end of the decade. On a smaller scale, Oregon has demonstrated the employment potential of not creating the waste in the first place with that state's now-famous bottle bill. The recycling of beverage containers in Oregon resulted in a net gain of 365 jobs.

Meeting the standards of the Clean Air Act promises to generate the nation's second largest investment in pollution-control equipment and may become the third largest major source of environmental jobs. *The Cost of Clean Air*, a report to Congress, estimated that the nation will invest a total of \$47 billion in controlling air pollution by 1979, including over \$23 billion for truck and auto devices. Operations and maintenance payrolls and expenditures are expected to reach a total of \$89 billion by 1982, indicating that the manufacturing, installation, and operation of air-pollution-control equipment will become a major source of jobs for the environment by the end of the decade.

Estimates of the amount of employment these expenditures will generate are not available because of the difficulty of predicting air-pollution-control technology and future solutions to the problems of auto emissions. However, the Task Force Preview report calculated that there are 5,400 persons working in the manufacturing and operation of controls, and that this total may jump to over 70,000 by 1976, as plants gear up to meet standards. Already the construction industry is seeing operating engineers, plumbers, pipefitters, and laborers on the job installing new lead-free gasoline tanks and equipment in 110,000 service stations across the nation. Other occupations required in air-pollution-control range from scientists and engineers to carpenters and mechanics.

Control of pesticide pollution, noise, and the supply of pure water currently employs 73,000 persons, according to the EPA. This number will rise to 95,000, EPA sources say, adding over 23,000 new jobs to the economy. Many of these new jobs, especially in water and wastewater treatment, will require only a high school diploma or two years of junior college.

Jobs and the Urban Environment

Improving our quality of life, especially in the urban environment where over 70 percent of America lives, offers a exciting promise of new jobs. Meeting the nation's low- and moderate-income housing goals, developing fuel-saving transportation systems; rehabilitating and restoring urban neighborhoods, will all provide badly needed jobs in the cities. A serious commitment to these

programs, as well as to the job of protecting the environment, constitutes a difficult major reordering of national priorities. But the evidence indicates that such a reordering will pay off with a *net gain* in employment in both the short and long run, plus tremendous savings in energy and raw materials.

One of the major goals of environmentalists has been the creation of practical alternatives to the automobile. The initial thrust was the reduction of auto emissions, but as the damage freeways and other auto support systems have caused became apparent, mass transit was recognized as necessary to save fuel, land, and the integrity of our cities. Now, over \$20 billion is invested in highway-construction programs by federal, state, and local governments each year. In the 18 years since the establishment of the Highway Trust Fund in 1956, the taxpayers have spent \$275 billion on highway construction. By contrast, funds for mass transit available under the 1974 transit assistance bill provide only \$3.3 billion a year.

Dr. Bruce Hannon, in the Center for Advanced Computation at the University of Illinois, calculated that a shift of \$5 billion annually from the Highway Trust Fund to rail and transit construction would result in a 3.2 percent increase in the number of transportation-construction jobs. Using the same formulas, a Sierra Club economist calculated that a complete shift of Highway Trust Fund expenditures to railroad and transit construction would result in a *net gain* of over 33,000 jobs a year. He also calculated that some 87 million barrels of oil would be saved each year by the change-over, reducing our balance-of-payments deficit by over half a billion dollars.

Whether or not these jobs will be created is doubtful. Our national priorities have recognized the need for rail, bus, and transit facilities. The 1975-80 Department of Transportation (DOT) Mass Transportation Financing Plan calls for a yearly expenditure of \$5.9 billion until 1980 to meet the nation's transit needs—a total of \$35 billion. However, the department reported in February that their Fiscal Year '75 budget allocated only \$1.5 billion to transit and estimated only \$1.6 for Fiscal Year '76, far short of what the agency itself knows is required. Full DOT appropriations would create over 8,000 new construction jobs each year and add 24,000 new buses to the nation's fleets. The latter would give Detroit a healthy shot in the arm by requiring the tooling up to reduce the present nine-month wait for the delivery of a single urban bus. (Los Angeles alone is planning on ordering 1,100 new buses for its transit plan.)

Other programs such as Dial-Ride, subscription commuter buses, and Seattle's Free Bus are being slowly implemented across the country despite a lack of funds. Most of the smaller flexible systems are labor-intensive and energy-saving. Dr. Hannon reported that the construction of rail and transit systems such as these would reduce the amount of energy used in transportation construction by 61 percent. Energy savings in the form of reduced fuel use would continue year after year.

Funding and providing urban transportation systems would constitute a major step toward rebuilding our cities, taking the growth pressure off surrounding suburbs and farms. But without additional housing in the urban core and nearby residential areas, the urban environment will continue to remain one of the worst places in the country to live, regardless of its transportation systems.

Housing has always presented a problem to environmentalists. Everyone needs it, and it has to be built somewhere. But the demands of the construction industry on the nation's forests have resulted in thousands of acres of clear cuts. The building boom of the early 1970's consumed land at a phenomenal rate, especially in farming areas. At the same time, housing in the cities became even scarcer. Urban renewal programs destroyed 337,000 more units than they created, and much of what was built was priced out of reach of those who most needed it. Urban housing construction dropped from a high 24 percent of the nation's total in 1964 to a low of 15 percent last year. Worse yet, there was a net decrease in the number of low- and moderate-income units for rent or for sale. There has been no "trickle-down" housing in the cities for several years, and the National Association of Homebuilders is predicting an 11 percent drop in the urban housing building next year. At the same time, thousands of units of substandard housing are abandoned each year in the central cities, creating overnight slums. At one point the National Urban Coalition estimated that as many as 10,000 units were being abandoned a day in the nation, mostly in large housing projects. President Nixon called for the rehabilitation of 595,000 units of abandoned and substandard housing between 1969 and 1974 in his

Annual Housing Reports. The nation saw only 313,000 units restored, a shortfall of over 279,000.

The situation exists in the construction of low- and moderate-income homes for subsidy programs. The national goal called for building 2.6 million units from 1969-1974, the period of the building boom. The construction industry saw greener pastures in the suburbs, building almost two million units each year, but completing only 1.5 million of the needed subsidized homes in America's cities. The one million plus unit shortfall represents crowded ghettos in every city in the country.

With unemployment in the construction industry as high as 30 percent or more in some areas, according to California Builder, meeting these shortfalls and going on to meet the current goals would go a long way toward putting the industry back on its feet and people back on the job. According to the Department of Labor, over two million man-years of construction would be generated in a national effort to build the 1.1 million units of subsidized housing required to meet the 1969-74 housing goals. The current national housing goals call for 595,000 new units of subsidized urban housing, and meeting this figure would create 1.1 million jobs a year, more than enough to put "help wanted" signs up in every city. The National Urban Coalition estimated the cost of this effort was \$17.5 billion in 1971. The Homebuilders Association puts the current figure at closer to \$21 billion, half the cost of the B-1 bomber.

In addition to human needs, the rehabilitation of homes that are abandoned or substandard is also appealing in terms of the environmental goals of preserving open space and agricultural land and reducing dependency on the automobile. Builders and developers say it is very time consuming and not really profitable, but if the beauty and charm of our city neighborhoods are to be retained, a national drive to meet our national rehabilitation goals must be mounted.

One city that has tackled the problem is Pittsburgh, Pennsylvania. ACTION Housing, Inc., a nonprofit corporation established to rehabilitate the city's vandalized ghetto neighborhoods, teamed up with a new construction firm to rehabilitate over 2,200 units in five years. The contractor, AHRCO, Inc., was founded especially to rehabilitate housing and show that it can be done with local skills and at a profit. Milton Washington of AHRCO estimates that over 50 new racial minority contracting firms have been established in Pittsburgh to work in rehabilitation. AHRCO has a staff of 80 and hires as many as 500 local workers, 90 percent black, to complete "rehab" projects. AHRCO has set up a training program in "rehab" construction techniques and graduated over 100 working apprentices, most of whom were formerly unemployed.

A sister organization in the same city, the Pittsburgh History and Landmarks Foundation, has demonstrated that restoring historically valuable buildings is not only more aesthetic than tearing them down, but cheaper. The foundation has restored 80 architecturally and historically significant homes, mostly in black ghetto areas, and rented them out to low-income families who maintain the buildings. The foundation has also used local minority workers and has convinced one construction union to let its older men work for the foundation on the painstaking restoration at reduced wages. Since these workers do not want to perform at the pace demanded by corporate employers, they are happy to volunteer under a new contract. The Urban Coalition reports similar projects in ten cities across the nation, but many of these are retrenching for lack of funds.

Using the Pittsburgh experience as a rule of thumb, a low estimate of the number of construction jobs that would be generated if the nation met its rehabilitation goals would exceed 100,000 a year. Altogether, jobs generated by the construction and rehabilitation of housing in urban neighborhoods, in line with the national goals, would total over six million jobs by 1978, or 1.2 million a year.

Environmental Investment and Inflation

The expenditure required to meet the goals of clean air and water and a healthy environment have been summarized in the table. These figures are estimates based on a Chase Econometrics study for the EPA, published in the Fourth Annual Report on Environmental Quality. They should not be regarded as exact predictions, but rather as estimates of the magnitude of investment involved. The CEQ estimates that the 1974 investment in pollution-control equipment and payroll amounted to 0.7 percent of the Gross National Product and should increase to 1.4 percent by 1976. Private pollution-control investment will amount to approximately three percent of gross domestic private investment and six

percent of all business investment in plant and equipment. These percentages indicate that environmental investment will remain a small but significant sector of the economy, reflecting the true cost of production. It will not curtail other investments, as business spokesmen have claimed. This was proved by a Board of Economic Analysis survey that revealed only two percent of firms installing pollution-control equipment reported their other investments were curtailed. EPA consultants noted that much of the new investment in equipment was in the form of process changes that also improved the productivity of the plants.

Who will pay the cost is a question that is frequently raised about protecting the environment. EPA staff and Chase Econometrics consultants estimated that the cost of pollution control raised the Consumer Price Index in 1974 by one-half of one percent, or less than three percent of the total price increases for the year. By comparison, fuel price boosts accounted for 22 percent of the year's cost-of-living increases. In the long run, the total expenditure of \$194 billion for pollution abatement and environmental protection may raise the Consumer Price Index by 1.04 percent, with some prices going up as much as ten percent. A study sponsored by the EPA and the Public Interests Economics Center indicated that most pollution-control costs will be passed on to consumers in the form of slightly higher prices and slightly higher taxes, assuming no change in current profit and tax policies. But these increases are not inflationary. They represent real value received for the money spent. Better health, longer lasting products and homes, better car mileage, more crop production, and less pollution damage are the result—are all concrete benefits whose value can be and has been calculated. And, of course, the benefits of a beautiful environment are priceless.

One cost that environmentalists must consider, however, is the cost in human terms of those jobs that will disappear as a result of pollution-control programs. The EPA maintains an Economic Early Warning System to predict and monitor the impact of its programs on facilities that must close or lay off workers as a result of regulations. To date, only 69 plants have closed as a result of federal enforcement actions, involving 12,000 workers. EPA estimates most of these found work in other plants that expanded their share of the market as the result of competitors' closing. Many of the plants that closed were also the marginal profit makers that would have closed in the near future anyway. Some firms found it more profitable to cut payrolls in old, less efficient polluting plants and shift production to newer facilities with better productivity and pollution controls.

An estimated 50,000-125,000 workers are expected to be laid off by 1976 because of environmental regulations, according to the Economic Impact of Pollution Control summary of reports. This is far less than the 500,000 jobs multinational corporations exported to foreign nations in the late 60's and early 70's. Many of those workers will be quickly rehired in other plants, but the hardship this causes, even temporarily, allows business leaders to blackmail environmental programs. No American worker should suffer because of a lack of environmental responsibility on the part of his or her employer.

Environmental support for legislation compensating these workers should be a top priority. The labor unions' first responsibility is, properly, for the security and wages of their members. But once paycheck protection and job security and opportunity are guaranteed, labor can work closely with environmentalists on pollution control as they have on workplace safety. At the same time, environmentalists should research and stress the jobs for the environment that are being created by their programs. As America's GNP continues to fall in what seems to be the coming steady-state economy, environmental protection will loom larger and larger as a major employer, one that saves energy and raw materials, and produces real benefits for all people.

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JOB AND THE ENVIRONMENT

(By Patrick Heffernan)

The conventional wisdom—in the rhetoric of both business and labor—holds that so-called ecological legislation hits corporate profits, eliminates jobs and hurts the economy. But what of the business and employment that the environmental movement creates?

The simmering fight between the state's environmentalists, and the business community boiled in February into what looked like a full-scale war. More than 1,300 loggers descended upon Sacramento to protest Governor Brown's appointment of Sierra Club Vice President Claire Dedrick to head the Resources Agency and the application of environmental regulations to timber cutting permits in the wake of a court decision. To Alan Clarke, lobbyist for the Associated California Loggers, the situation was clear and desperate: 90 percent of his members in Northern California were out of work and had been for months. They were suffering tremendous economic hardships and he felt environmental regulations were largely responsible. Appointing a Sierra Club officer to the Resources Agency, declared the loggers' signs, was like picking a weasel to guard the hen house when eggs were all you had to eat. [See "Who's running the Resources Agency?", CJ, March 1975.]

Larry Kiml of the California Chamber of Commerce saw the timber demonstration as only the tip of the iceberg in a coming showdown with environmentalists. And Mike Peevey, former AFL-CIO lobbyist and executive director of the California Council for Environmental and Economic Balance, feels that the economic priorities of the state make this the time to reverse "damaging" environmental policies.

Conservationists' response

Environmentalists are somewhat shocked at the attack. This was to be their year. After seeing so many of their programs vetoed by Governor Reagan or blocked in the Senate, they had looked toward 1975 as a year of success with the new administration. The Sierra Club's John Zierold views the hue and cry over unemployment as a hoax perpetrated by business interests to manipulate unemployed Californians in an effort to negate environmental gains that have nothing to do with the loss of jobs.

Zierold points out, in the case of the loggers, that housing starts in the nation dropped below a million last year, down from a recent annual average of 2.2 million. Record high interest rates have dried up capital for developers and mortgage money for home-buyers, who were already hard hit by inflation. There is little demand for timber because there are very few homes being built. Nor can it be fairly argued, Zierold maintains, that the 50 percent unemployment rate in the sawmills is due to a log shortage. Between Santa Rosa and Eureka, mills have full inventories laid in for the winter months when most loggers don't work anyway, he claims, and lumber corporations have teamed up with other business interests to use the loggers as the first wave in the battle to gut the state's environmental programs.

Bills have been introduced to weaken smog controls, requirements for environmental impact reports and land-use policies. And Zierold and other environmentalists smell a conspiracy to turn the environment into a highly emotional symbolic issue. They see labor as a pawn in a larger chess game that will not only kill "deadwood" environmental protection programs, but confer windfall energy profits and massive government subsidies on business interests.

Jobs and environment

The environmentalists maintain, on the contrary, that protecting the environment and improving the quality of life will create additional jobs in the state. Resources Secretary Dedrick said as much on taking office. So far, however, the evidence is unclear. No comprehensive study has yet been done on the economic and employment effects of protecting the environment and improving the quality of life in California. But by examining various programs and proposals, and drawing on data from federal, state and private sources, a somewhat sketchy picture emerges.

Clean air. One of the most controversial environmental protection programs involve federal regulations to attain clean air standards in California. A task force report released by Governor Reagan last September charged that the program would cost 159,000 jobs, increase unemployment by 10 percent, and result in a loss of \$65 million in tax revenue and an increase in unemployment benefit payments of \$200 million. These findings, quoted widely by business and labor representatives, contributed to the delay or reversal of some elements of the clean-air program. They didn't go unchallenged, however. Rob Wolcott, regional economist for the federal Environmental Protection Agency, found the report wanting in its assumptions and incorrect in its conclusions. Wolcott estimated the number of jobs lost at about 15,300, one-tenth of one percent of the state's civilian labor force. He based this estimate on an EPA permit-denial rate of

10 percent (the Reagan task force assumed 100 percent denial), and on the shift of unused labor and capital to other locations in the state (the task force assumed it would disappear). The National Academy of Sciences estimated benefits from the improvement of air quality on health and property at from \$250 million to \$980 million in California.

Air-pollution equipment. The Air Resources Board and the regional agencies are enforcing tough air-pollution-equipment installation schedules on stationary sources. Bob Burt, who represents the California Manufacturing Association in Sacramento, said that three manufacturing plants have been forced to close in Southern California in the last decade because of air-pollution-control regulations: a Chrysler assembly and painting plant, causing the lay-off of several thousand people; the Pacific Vegetable Oil factory, costing several hundred jobs, and a Swift and Company meat-packing plant, also laying off several hundred workers. (Burt indicated that the much-publicized closing of an Ideal Cement plant in Santa Cruz, however, was due more to its marginal profitability than to environmental requirements.) The Chamber of Commerce adds to the shut-down list a few small sawmills that have failed to meet air standards.

On the plus side, however, is the employment created to manufacture and install air-pollution-control equipment. John Sebastian, vice-president of Envirotec, a California-based pollution-control firm, reported \$52.9 million last year nationally in sales of air-pollution-control equipment. His company's backlog of orders exceeds \$200 million this year. Sebastian's staff estimates that 40 persons are employed for every million dollars in sales, producing more than 3,000 jobs to meet current demand. Although a few of these jobs will be located in Envirotec's plants outside of California, new operation and maintenance positions will be created in the state.

Clean water. Cleaning up the state's waters is the largest of the environmental protection efforts. Fueled by an \$18 billion federal appropriation (the nation's second largest public-works program) and a \$250 million state bond issue, construction of sewage-treatment facilities currently employs thousands of California workers. Bill Dendy, executive officer of the Water Resources Control Board, reported that approximately \$400 million in construction grants has been authorized this year and another \$600 million will be funded next year.

Job estimates for the construction of these facilities developed by the State Water Quality Control Board staff showed that as many as 12,000 construction jobs would be created by the first authorization and 27,000 by the second. An additional 3,500 permanent operational and maintenance positions would be required to staff the new plants. Currently, more than 3,000 treatment-plant operators are employed by public agencies in the state.

Another 1,500 jobs are going begging for lack of qualified people. The paradox of unfilled treatment-plant jobs in a state with unemployment running at 10 percent of the work force was explained by Chuck McElroy, director of the state's school for training treatment-plant operators in Costa Mesa. McElroy was able to train only 570 people last year—not enough to keep up with growing demand. Lack of training funds and difficulty in reconciling construction schedules and manpower development feed the shortage, he said.

Attempting to step into this breach is Pat Taffer, assistant director of Environmental Careers, Inc. With the help of federal grants, she uses her non-profit job center to train personnel in waste-water treatment and other environmental fields, directing them toward available jobs. She also provides curricula to junior college programs attempting to meet the needs of the state's waste-water treatment programs. Taffer coordinates placement of graduates with some 1,800 treatment plant operators in California.

Emphasizing the importance of clean water, Governor Brown accelerated the grants program even before he took office in an effort to stimulate employment. Learning that one of the bottlenecks in planning sewage plants was a lack of technical assistance for local agencies, Brown authorized the hiring of 67 new waste-water engineers to supply the needed help. Unfortunately, Dendy reports, the state has been unable to recruit the engineers because the state salary scale is below that in private industry.

Construction restrictions. Land-use controls have been a frustrating area for environmentalists because of Governor Reagan's refusal to allow development of effective planning policies despite a legislative mandate to do so. This has also been the area that labor has claimed cost the most jobs. The Associated Building Industry reports that statewide housing starts dropped to a 10-year low of 140,000 last year and are not predicted to rise far above that in 1975. This has led

to unemployment as high as 30 percent in some construction trades. In December, the state Supreme Court upheld San Jose's Measure B, requiring builders to enter into agreements with school districts before they submit zoning requests. ABI estimates that these agreements, environmental impact reports, and planning fees and deposits now add \$4,000 to the cost of each unit in many counties, and that each \$1,000 in fees and environmental controls prices 5 percent of the state's potential buyers out of the housing market. Specifics on the number of jobs that slow-growth and land-use controls have cost are scarce because of the inability to determine what developments were not proposed because of them.

Coastline conservation. The Coastal Commission comes in for the most criticism from the building and labor interests. Because California's coast attracted millions of dollars annually in out-of-state investment, it was a prime source of construction jobs. A recent lending institution survey of coastal real-estate brokers indicates that raw land sales along the coast have completely stopped despite Commission Chairman Mel Lane's claim that only 5 percent of the permit applications have been denied. Security Pacific Bank in Los Angeles is studying the economic and employment impact of the Coastal Commission and its plans for use in 1976 legislative hearings on the statewide coastal plan.

Housing needs. The other side of the land-use coin is housing construction. California needs to rehabilitate 750,000 homes and replace another 300,000 dwelling units just to catch up with its needs. Bill Leonard, a long-time spokesman for the industry, adds that a half million persons live in substandard and overcrowded dwellings and another million can't afford to rent or buy decent housing without spending a prohibitive percentage of their income. Approximately 200,000 units a year are needed to keep up with new family formation even in an era of zero population growth.

The jobs created to meet the rehabilitation, replacement and urban building needs of the state would be tremendous—something like 1.5 million on-site jobs and more than 4 million off-site. Environmentalists supported housing-bond legislation last year to help meet these needs, but Governor Reagan vetoed the measure. A similar measure has been introduced this year.

The support of groups traditionally oriented only to ecological issues reflects a change in the membership and attitudes of environmentalist organizations. Environmentalists have recognized the need to consider economic issues and the substandard living conditions of many poor urban inhabitants. The Sierra Club has started an urban task force to develop policies and programs in what is admittedly new and somewhat foreign territory.

Energy needs. Energy development is a key to the provision of jobs and a healthy economy, and is a major environmental threat. The employment impacts of energy conservation and development, however, are very hard to trace. Almost no information exists on the job impact of the various state energy policies. Richard Maullin, chairman of the new Energy Resources Conservation and Development Commission, said that the commission must address itself to the labor effect of its policies and actions. To give organized labor a stronger voice, Maullin is proposing to expand membership of the advisory committee on building design and efficiency, set up by the Legislature in 1972, to make room for labor representatives. Maullin also plans to propose creation of a general economic advisory committee to improve communication between the commission and the major segments of the state's economy, including organized labor.

However, criticism of current energy policies and the developing plans of the Coastal Commission are beginning to surface. Ric Todd, lobbyist for Pacific Gas & Electric, reports that his firm has abandoned the coast as a source of power-plant sites for now because of the commission's decision on energy development. The jobs this has cost are impossible to calculate, but a continuation of the Coastal Commission's tough policies on energy development will likely affect employment opportunities.

The Nuclear Initiative being circulated by People for Proof seems sure to reach the ballot, according to a spokesman for the group, David Pesonen, and if it passes the approval of nuclear plants in California would be seriously slowed. While the job impact of such a development is not known, at least one union leader is not worried. He is Charles Armand, West Coast director of the Oil, Chemical, and Atomic Workers Union. Armand said that his members feel that they have not been told the whole truth about accidents or near-accidents in many nuclear facilities. In the meantime, Armand doesn't see that the Coastal Commission's energy plan will have much of a negative effect on his members.

He adds, however, that fossil-fuel plants should be built as they are required, but with pollution-control technology included.

Transportation alternatives. A large part of the energy question involves developing transportation alternatives. The state's major metropolitan areas have embarked upon ambitious plans for transit programs, spurred in part by federal planning grants and funds for capital investment. Expenditures estimated for the major programs in the state exceed \$20 billion—about what the nation spends on roads and freeways each year. A good example of the job potential is found in the transit plan in Los Angeles developed by the Southern California Association of Governments. It calls for 4,300 buses, creation of 18,400 permanent jobs, and 1,300 one-time construction jobs. San Diego's clean air transportation project would add 1,044 buses and increase permanent employment by a net of 3,000 jobs. Retrofitting old vehicles with pollution-control devices would generate an estimated net increase of 600 to 800 jobs, according to that city's plan.

The state's response

Assemblyman Charles Warren first attacked the problem of the information gap on the economic impact of environmental protection by introducing AB 938 in the last session. The bill required economic impact reports to be filed along with environmental impact reports. Business interests objected that this would increase costs and grounds for litigation. Reagan vetoed the bill. Warren has reintroduced the measure this year as AB 629. He added language declaring that the environment must be balanced with social and economic factors. Business representatives are silent on their positions as yet, but the backing of environmentalists is possible.

Assemblyman Bill Greene has introduced legislation calling for construction of 20 to 40 solid-waste processing plants to recycle metal and convert the remaining wastes into methanol, a gasoline substitute. Other legislation calls for long-distance transmission of geothermal power to allow industrial expansion, state funding of low- and moderate-income housing programs and home-insulation requirements. Laudable as much of this job-producing legislation is, the all-too-familiar mélange emerges of a few well-thought-through proposals and a rash of hasty bills.

A more comprehensive approach is being taken by the Governor's office. Brown made his feelings clear in a campaign speech indicating that environmental and economic needs will be met "through clear rules fairly enforced without delay". His secretary of health and welfare, Mario Obledo, and Employment Development Department Director James Lorenz agree that there is a need to begin looking toward a marriage between environmental and labor goals. (As Lorenz pointed out, the courts are poor planners in both areas.)

It's too early to tell when and where the marriage will take place—or even if a shotgun will be needed. But continual confrontations between the unemployed and the defenders of the environment will only make harder the realization of the employment potential of improving California's quality of life. The first step is to establish the joys of such a wedding.

Chairman HUMPHREY. Did you have some comment that you wanted to offer in reference to—we would like to get a little fight going here if we could. I sort of feel like a reporter.

Mr. SHEARER. I think it would only be fair to let the gentlemen speak before I speak again. We have been hogging the time a bit.

Chairman HUMPHREY. All right. Congressman Rousselot?

Representative ROUSSELOT. Thank you, Mr. Chairman.

Gentlemen, we appreciate each of you appearing and giving us some of your thoughts.

Mr. Bradshaw, you mentioned in your discussion of the current bill that just passed the Congress relating to the energy situation, the setting up of all kinds of machinery to solve the problems of energy. But in your judgment it is going to have some impact on unemployment. Could you describe that in a little more detail? What phases of the bill that we just passed and was signed by the President, the energy bill, do you think are apt to cause or create problems of

unemployment? I know you touched on it briefly, but could you expand?

Mr. BRADSHAW. I think the specific phase which impacts on employment is the drying up of capital, the cash flow of the oil companies. This is the drying up of capital that you have been discussing earlier. It does not matter whether the capital goes to a Government office, or whether it goes to an industrial company. There must be capital.

This bill, we believe, will dry up capital to the extent of some \$80 billion over the next 10 years.

Now, we have estimated that in order to achieve a reasonable basis for Project Independence, relative independence which means just maintaining our imports at the present level of about 6 million barrels a day, we would need to spend some \$300 billion—the industry—over the next 10 years. Now, if you take \$80 billion away from that, as we think has been done by this bill in conjunction with the depletion allowance, then that means that our capital expenditure has been depleted, our opportunity for capital expenditure has been reduced by some 25 percent.

Taking that and that lesser building program, and assigning to it various factors that we use in terms of the relationship between construction and employment, we come up with this matter of some 240,000 fewer jobs each year than would otherwise be the case.

Representative ROUSSELOT. In other words, your guess is or your estimates are that this legislation we just passed to conserve energy, et cetera, and supposedly improve the situation for those that consume energy, will create roughly an unemployment factor of 240,000 jobs per year?

Mr. BRADSHAW. Per year for the next 10 years, 2.4 million work years.

Chairman HUMPHREY. Will the gentleman yield?

Representative ROUSSELOT. Sure.

Chairman HUMPHREY. Does it not provide for phased decontrol over 40 months? Aren't you going to get full decontrol?

Mr. BRADSHAW. Not in 40 months. It provides for 3 percent decontrol each year, over and above the inflation rate. That is subject to the veto of Congress.

Chairman HUMPHREY. I think it was pretty well agreed that we would have phased decontrol. What we were mainly arguing with the President about, the main argument that we had with him, was the rate of decontrol. He wanted it, I think, was it 30?

Representative ROUSSELOT. Well, his initial plan was a 2-year period.

Chairman HUMPHREY. Two-year, 24 months. Then he came up to some 30. I think we have come around. I am not sure exactly.

Representative ROUSSELOT. The compromise ended up 40 months.

Chairman HUMPHREY. I think the gentleman is right; that is not total decontrol in that time.

Mr. BRADSHAW. Three percent a year in real terms.

Chairman HUMPHREY. It is a certain amount per month. I think it is decontrol in 40 months. We will look into the facts. I will have it checked out here. But I thought so.

Representative ROUSSELOT. Mr. Bradshaw, could you produce for us, so that we can have some of the logic behind what you are telling us, so

that we know how you arrived at the calculation of roughly 240,000 jobs per year that will be lost as a result of this bill we passed?

I must admit to you, in Congress we don't always act with great precision. We passed a Real Estate Settlement Act a year ago that we had to promptly amend because we were going to save the consumer settlement costs and we found it added on \$150 to \$200 to a settlement cost for a simple real estate transaction.

So if what you say is true, and you can show us that certain segments of this bill that has just been passed—I did not vote for it for many reasons. I think it will impact California even more heavily—that there is some justification to the belief or the prospective long range suggestion that there is going to be a loss of 240,000 jobs, I think we should know that. We should know how that is being impacted and where in the country. I think it would be helpful to us.

Mr. Bradshaw, I don't know that this totally relates to this hearing, except we have had an awful lot of discussion in the newspapers and in the media lately about various groups that have attracted ARCO's arrangement to borrow money from Pacific Light & Gas as an inflationary thing. Since we are discussing inflation and unemployment here today, the claim has been made that this would put an unfair burden on the consumer—this agreement that you were talking about. Could you answer that for us, so we would have your point of view? I know the other point of view has been well-represented.

Mr. BRADSHAW. Apparently.

Well, for the past 15 years the price of gas has been controlled by the Federal Power Commission at the wellhead. It has been the most extraordinary bargain that has ever been given to the American people. It is now priced, even after a number of price increases have been allowed by the Federal Power Commission, it is now priced at the equivalent of crude oil at \$1.80. We can't get crude oil at \$1.80, not even under congressional mandate at \$7.66 average price, or certainly under Arab mandate of about \$11.50 price—\$1.80 equivalent.

Now this represents an extraordinary interference with the laws of supply and demand in the United States and it has the usual impact. Over the past 15 years, the usage of gas has increased extraordinarily and the amount of gas which we have found has been declining. For the past several years, we have been not replacing our reserves which means we are running out of gas, very definitely, and we have this one year been saved thus far by rather extraordinary warm weather—which has now turned around, as I understand it, in Minnesota and I know in New York City yesterday. But we have been saved thus far. But we are running out of gas, which was the foreseeable result of this policy.

The other thing we ran out of was money, from the point of view again of capital, in order to explore and develop new gas wells.

Representative ROUSSELOT. You are talking about investment capital to go out and find new sources.

Mr. BRADSHAW. Investment capital. Obviously if we have to sell gas at this extraordinarily low price, we are not generating the cash flow to replace that gas at very high development cost, very high exploration and development cost, and so forth.

Now, in order to get around this—and we have freely admitted this was a mechanism for getting around that low price, to some extent—

the Federal Power Commission allowed as early as 1970 advanced payments by public utilities in order to help finance exploration and development of gas. About \$4 billion was provided to the industry during that period of time through this mechanism, which was sanctioned by the Federal Power Commission. Now, this is the mechanism which has been aborted as of December 31 of this year, and we no longer have that as an aid to our financing. That is about what it comes down to.

This is not the way we want to do it. That is a subterfuge to get financing in that way. What we want to do is to have the price of gas reach the market price so that the rhythm of the market can be re-established, so we can operate in the American enterprise system, and we can then pay for the exploration and development of new gas out of the funds which we receive from the sale of gas. That is the way we want to see it.

But as long as we are under this extraordinary control of the price of gas, we obviously have to seek subterfuges. That is what it is, a subterfuge sanctioned by the Federal Government, up to this point.

Representative ROUSSELOT. Well, will the ultimate price of uses of energy or alternative sources of energy that you will now have to go to, will that increase the price to the consumer? As a result of this agreement being aborted?

Mr. BRADSHAW. I think the result of this kind of agreement being aborted and taken out of our kit bag of how to do things, how to get things done in terms of getting the capital, will be to slow up both the discovery of new gas and the development of gas which the United States needs very, very badly.

Representative ROUSSELOT. I am going to have to ask Mr. Brown at least one question. His fine college is right outside my district. As you know, Senator, Cal Tech was the one that discovered all the elements of smog early on, clear back in 1937.

Chairman HUMPHREY. It was getting large Federal grants I remember. We in the Midwest used to look at Cal Tech and think they moved Fort Knox.

Mr. BROWN. I think that happened after the discovery.

Representative ROUSSELOT. In your statement here you spent quite a bit of time discussing with us the fact of technology and putting it in place to give us a better life, many times increases the rate of employment rather than decreasing it. You first went through the example of agriculture.

Has anybody in your organization trying to struggle with how we can utilize—you mentioned computers—make better use of computer technology to tell us where jobs may be coming up or where potential sources of jobs might be, by having it at a more central—like, say, they are doing in Vermont? I understand they have a job bank. Are we making any progress in this?

Mr. BROWN. Mr. Rousselot, that is not the kind of thing that is done by scientific people. Some social scientists do it. The social scientists at Cal Tech are highly quantitatively oriented. I suppose it is an infection they caught from being close to scientists.

But so far as I know, our own social science departments are not working on that specific question.

I don't think it requires new technology to do this. I think that this is a simple application of a capability that already exists. I think

these things can be computerized. I don't know what the situation is in Sacramento. But I am sure it is feasible.

Representative ROUSSELOT. At relatively low cost?

Mr. BROWN. I don't think it would be very expensive.

I don't myself know what fraction of unemployment is due to inability to put the unemployed together with the open jobs. Myself, I think that it is undoubtedly a factor. But it is probably a pretty small factor. You and the Chairman, I think, both have mentioned—I know Chairman Humphrey mentioned—the fact that unemployment insurance is wasted, in a sense. Not wasted so far as the people who are getting it are concerned—

Chairman HUMPHREY. Not productive in the terms of new enterprises.

Mr. BROWN. It does not produce new enterprise or new products. I think that that is correct. It is, however, only a small fraction, it seems to me, of the production that is not taking place in this country because of underemployment of labor and of plant. We are down by what? More than 10 percent. That amounts to more than \$100 billion a year—maybe it approaches \$200 billion—that we will never get back.

Chairman HUMPHREY. It could go on forever.

Mr. BROWN. It could go into new capital formation. It could go into cleaning up the environment. It could go into the creation of new energy sources.

The problem, of course, is to put it to work. That is a problem which we seem not to have solved.

Representative ROUSSELOT. The reason I bring it up is we are told many times that understanding of where job possibilities are and that kind of thing, other than just reading the classified section in the papers, is many times a factor, especially in a highly dense area like, say, Los Angeles County. Many times there might be a job available in Long Beach and the guy would only have to get on the freeway and go 20 miles, and it might fit his capability. But you don't have any such projects going now.

Mr. BROWN. Not in my own institution. But I would not be surprised if it existed somewhere else.

Mr. SHEARER. The State does do that right now. The State employment development office. That is their job.

Representative ROUSSELOT. You can go into one of their offices and get a printout. You can get a counselor. I have been told that the counselors have been discontinued. Is that correct?

Mr. SHEARER. No to my knowledge. I am not sure what you mean exactly by the counselors. But the whole purpose of this system—and it is connected. It is not necessarily the most up-to-date computer system and in some places it is not always computer. But that is the whole point of the job service in the State, which is to connect people with jobs. They do have a client relationship with the people who come in. The problem tends to be, except in highly skilled and specific areas, that there are not enough jobs. Or there may be a lot of very, very low wage, really terrible jobs that some people just can't take because they can't afford to live on it and it is better to go on unemployment.

Representative ROUSSELOT. A second problem is everybody does not list their jobs with the State, the job openings.

Mr. SHEARER. Right. Well, what we found was that the people who list the jobs with the State tend to be the most unskilled and the lowest paying jobs. I am sure you are familiar with what is called the dual labor market, that the labor market tends to be split and the better, highly skilled, unionized and professionalized jobs don't utilize the State services. They don't need to because they have more people than there are jobs. When there are job openings on the lower levels, people may not want to take them. It is a real problem, this split in the labor market, and this split between the skilled and the unskilled.

Representative ROUSSELOT. In your time that you were working on this problem as one of your jobs, do you have any suggestions of things that you found out which we could finance in this area that would be helpful, or partially finance at the Federal level? We have been told the one in Vermont. Have you seen that one? It is fairly successful. Or New Hampshire.

Mr. SHEARER. We are familiar with that.

Representative ROUSSELOT. I realize that is a much smaller area.

Mr. SHEARER. It is also a rural State. I think it is more likely that somebody on one side of Vermont might not know about some particular job in a small town. But it is not as great a problem in California.

We found our problem in California is that California is linked to the national economy, and particularly to defense spending, and to all the problems that are common in any large urban area in terms of the structure of the labor market, and that there just were not enough jobs, one, and two, that the structure of the labor market segregated minorities and women into certain kinds of dead end jobs, and that unless we substantially alter the structure of the labor market and have the national economy at a full employment level, we really were not going to be able to do much but tinker, which is why we endorsed the Humphrey-Hawkins full employment bill.

Representative ROUSSELOT. Right.

Mr. Brown, Mayor Bradley mentioned this morning in one of his suggestions that—and this is a project with which I think you have had some connection—that it was his guess, and we have made this estimate in Congress too, that the possibility of potential job creation, but more important, the solution to part of the energy problem even though it is somewhat long range, is to the use of solar energy applied to a very localized thing and for individual homes. I think there are several units around where we have multifamily housing of 20 or 30 units that are beginning to use it.

Is that technology really coming along fairly well so that we can begin to hope that it will begin to reduce the burden of use of electricity by 20 or 30 percent a year?

Mr. BROWN. I would say that of all the applications of solar energy, it is the closest to achievement. That is rather faint praise, in fact, because many of the rest are really very far away in economic if not in technical terms. That is, many more things are technically feasible than are economically sensible.

The use of solar heating, of course, is not a new thing. Before there was natural gas for this purpose, solar energy was rather widely used in southern California. You can see quite a few old houses that have disconnected solar heaters.

Representative ROUSSELOT. But I mean is it a feasible and usable potential system?

Mr. BROWN. It is feasible. But at the moment, the best economic analysis I have seen equates it with natural gas at something like \$6 per 1,000 cubic feet, which is several times the current price of natural gas even in an unregulated environment.

On the other hand, we are going to run out of natural gas, no matter what we do, by the end of this century. At that point, we are going to have to live, if we use natural gas—and I think there are places like southern California where it is important to use it for environmental reasons—with synthetic gas which will probably run \$5 or \$6 at present prices per 1,000 cubic feet. So by that time, I think it will be economically competitive and I think before then it is going to become competitive for other reasons.

I think the reason for that is that natural gas, at some point, is going to have to be directed toward feedstocks because it can't be substituted very easily. Hydrocarbons can't easily be substituted for other things.

My judgment, therefore, is that this is something that over the next couple of decades is likely to grow and spread. I don't think it is going to produce a very large dent in our energy requirements because, in the end, it will only handle perhaps a few percent of the energy requirements. It will do so in southern California, I am sorry to say, rather than Minnesota, Mr. Chairman. But every little bit helps. I believe that the solution to the energy problem is not going to be reached by just picking out one thing and saying, "Let's do that." We are going to have to do 20, and this is one of them.

Representative ROUSSELOT. I wasn't meaning to imply that.

Mr. BROWN. I know you weren't.

Representative ROUSSELOT. It wasn't very long ago that we didn't think it was very possible for people to have swimming pools. In southern California that has been changed drastically in the last 15 years.

Mr. BROWN. It may change back soon.

Representative ROUSSELOT. Yes, it surely may, especially in the winter.

We have been told that the Jet Propulsion Laboratory feasibility down in—

Mr. BROWN. There is a joint project.

Representative ROUSSELOT. It has been going for 9 months, and they save up to 30 percent on the energy bill by the generation of energy both for heating and cooling.

Mr. BROWN. And for heating water also.

Representative ROUSSELOT. Right; so I guess I am speaking to that type of thing.

Mr. BROWN. That is exactly what I am speaking of, and it is from that project that I derived my figures. I think that the problem is that there is a substantial capital cost. The fuel cost, of course, of sunshine is zero. The operating cost is not large, but it is not zero. The question, drawing an economic balance really depends on what amortization factor you use for the equipment. I am using an amortization factor which, when added to everything else, says that the operating cost is about 20 percent of the capital cost. You take the operating cost to be 20 percent of the capital cost.

Representative ROUSSELOT. You can't get it down, you don't think?

Mr. BROWN. You might be able to get it down to 10 or 12. But I don't think you can get it down much below that.

When I looked at this last, which was about 2 weeks ago, I asked the people at JPL whether it would not be possible for mass production to bring down the installation costs. I find that it does bring down the cost of the components. But in a situation like this, even when you are installing it in a multiunit apartment house or complex, as is the case for the JPL-Southern California Gas installation you are referring to, a lot of the work has to be done onsite. As is the case in housing, that tends to run costs up.

So I would say that this is something that needs to be pursued and I think it is going to pay dividends. But it is going to pay dividends over a period of 10 or 20 years, and it is going to contribute a few percent to the solution of the energy problem, which is not to be sneezed at, however.

Representative ROUSSELOT. Thank you, Mr. Chairman.

Chairman HUMPHREY. Congressman Hawkins.

Representative HAWKINS. Mr. Bradshaw, may I just get a little clarification of your statement, which I think is a very excellent one? I do not agree with it in its thrust, however. But I think it is a very excellent statement.

You say, "Supplying our energy needs is essentially a capital problem." Then, it seems to me, that the rest of the statement, the thrust of it is that by increasing the price, that less fuel will be used and more exploration will be encouraged, and that somehow independence will be achieved in the energy field.

If I have interpreted correctly the thrust of your statement—

Mr. BRADSHAW. Very accurately.

Representative HAWKINS. May I ask you this? In what way will this increase impact on other problems by extending the cost across the full spectrum of the economy and increasing transportation costs, increasing food costs, clothing costs and so forth? And will this be a rather unreasonable or unconscionable impact on the problem of inflation that the President says is the number one problem?

Mr. BRADSHAW. You have asked some very perceptive questions, which would require a book to answer. I will give you a very few outline statements.

In the first place, by recognizing a higher price for energy, we are merely recognizing a reality, which is the higher cost of energy, and Congress cannot legislate the cost of energy. It can only legislate the price.

The Arabs can legislate a portion of the price, of course, for the imports that come in. The rest is up to nature to handle, and we have now run out of cheap oil, and the only oil that we can find, and the only gas that we can now find, is very, very expensive, and when we go to the liquefaction of coal, for instance, that is extremely expensive; several times the cost of today's oil, for instance. Or when we use shale as a source for oil, that is several times.

But rather than have our factories go down, and rather than have our homes unheated, we will have to use those more expensive forms of energy so, yes, there will be an impact on cost throughout all forms

of industry and living in the United States over the future. There is no question about it.

Now, second, the more near-term situation which you referred to, if there were total decontrol of prices now, what would be the impact on inflation now, and for the immediate future, which I know that this committee is very much concerned with.

Well, we had thought that if prices were decontrolled, either precipitously or over a period of a year or 15 months, or something of that sort, that we might see, as a direct result of that, something like a 5-cent a gallon increase across the board. Now, that we would relate to a 60-cent a gallon price, which there is now for gasoline. A 5-cent increase might result.

In our own opinion, of course, we do not think that this would wreak havoc with the economic development in the United States or our control of inflation by any means.

Representative HAWKINS. Well, I also had looked at that phase of the testimony. I am quite sure that there are many individuals in my district suffering from 20 percent unemployment who would find 5 percent increase in the price of gasoline, a very unreasonable imposition of a burden on them. I think many of them would not be able to drive their cars to work, or even drive their cars, period.

In those instances, let's assume, for the sake of reasoning, that your position is sound otherwise, what relief would we offer to those who find it impossible to meet such rising costs?

In other words, how would we pay those that we asked to sacrifice, in order to have independence and stability?

Mr. BRADSHAW. Well, we, that is my company and I, have, for a long time, felt that the basic way out of our energy dilemma is to resort to the enterprise system to the play of prices within the United States, which would then draw in the capital, which would then draw in more supplies of energy, and that eventually we would overcome this impending extraordinary dependence upon foreign nations for our energy supply.

We also recognize, however, that as this occurs, and as we move ahead into this era of very expensive energy, there will be some portions of our population which will need a considerable amount of help, and we have certainly proposed all along the line that they receive that help, but not by throwing a monkeywrench into the entire economic system, but by singling out those groups which need help, and then providing the help via some congressional mandate.

Representative HAWKINS. Well, I would think that some of my constituents would like to see that help first, and then the aid to the industry second, in that order.

Mr. BRADSHAW. Well, I think we would like to see that, too.

Representative HAWKINS. Or simultaneously.

Mr. BRADSHAW. Simultaneously. We would also like to see that. Furthermore, you also brought up as perhaps a final question the matter of industry profits.

Again, I have testified and I have spoken in favor of an excess profits tax, or a surplus profits tax, at any point in time that those profits become surplus to the needs of my company and the industry to do the job which we think needs to be done for the American people, which is to find enough oil to get the Arabs off our backs.

Chairman HUMPHREY. Mr. Bradshaw, we don't want to debate the whole energy question again, even though I recognize that this is maybe one of the most difficult questions we have. I don't think it is one subject to any easy or equitable solution. There are just one or two observations I would make.

Whatever we have tried to do in Congress has been a principle of gradualism in decontrol, and I don't want to argue the specifics of the last bill, but that was its thrust.

Now, whether the pricing was too little or inadequate, that is debatable. I do think, however, that we ought not to be confused here about the kind of an economy we are talking about in the energy business.

The price of oil, and that is what we are really talking, that is the central figure that we use, is a barrel of crude, and we relate everything to that, is not established by cost. It is established by cartel—

Mr. BRADSHAW. Abroad.

Chairman HUMPHREY. When you talk about the price of oil here, you are talking about world prices, and world prices are established by a handful of OPEC countries that just got together and established it. It has got nothing to do with what is cost, and they make it perfectly clear that it has got nothing to do with what is cost. They simply say, look, we have got so much. These are finite resources. We think we have got so much of them, and we have got to yield so much money out of them. It doesn't relate at all to what it cost to take it out of the ground or to put it into the pipeline.

Now, obviously there are costs, but I was in Norway this summer, and I spent several hours with the Norwegian Minister of Petroleum.

Now, the most difficult area in the world to get any oil is out of the beds of the North Sea. That is a very, very tough operation and, fortunately, the U.S. oil companies have developed the technology, and I say that it is to their everlasting credit that they have done it, and our companies are there with the contract to develop the technology.

They are able to produce oil, and that is costly production, because that includes the stations, it includes the pumping, it includes the incredible difficulties of the drilling and the platforms and all at around \$3.75 a barrel; \$3.50 or \$3.75 a barrel. Now, that is the testimony that I have on tape from the Minister of Petroleum in Norway.

Now, you cannot tell me that it costs more than that to produce a barrel of oil, sticking a tube down in some sand. It may cost \$4 a barrel, but at least the crude oil, under the present operation of the law—what is it, \$7.70 some, \$7.70, which is a blend.

And furthermore, I think it should be noted that we don't intend to hold it at that price. The price is going to go on up to what is established by the Shah of Iran or the King of Saudi Arabia, with these great competitors and the free enterprise system who have just decided what the price is going to be, and may next month decide it's going to be some more, regardless of what the so-called operating costs are.

So, I think that it is fair to say that it isn't quite just to state that the costs of the production of oil are really what is controlling the price of oil.

Congress is now controlling the price of oil, sure. But I would rather have Congress control it than I would the King of Saudi Arabia.

And the other point that I make is, that most of the oil that we were controlling, so-called old oil, and the two-price system we had, was oil wells that had already been drilled and been depreciated and the depletion allowances have been on them already, and it wasn't as if somehow or other you had to go on out and probe around for new wells.

Now, on new oil, that was decontrolled. So, the fact is that it hasn't all been just like it's been painted. All new oil was decontrolled, and the Shah of Iran set that price, and we domestic consumers in the United States paid the same price for decontrolled oil here in the United States that we paid for imported oil.

So I am not unaware of the capital needs. On the contrary, I have been very interested in the formation of capital, I recognize that this great energy industry requires capital. I have no desire to see the Government of the United States try and take it over, particularly the Congress. We cannot operate the cafeteria. I'm not particularly interested in that.

I do think that on some of our public lands we might want to have something like an old TVA that uses a little yardstick to really find out what it costs to produce a barrel of oil.

I want to make one other comment here on other sources of oil, or heat. Solar heating, say, to Mr. Brown.

In my state, in every new school that is being built, there is solar heating going in. We have an experimental laboratory at the University of Minnesota. We found that solar heating in Minnesota is economically sound.

I am the author of this big authorization act on solar energy, and you were on the House side. I just looked over some testimony here back in the 1960's. I tried to get this Government of ours interested in solar energy and was able to get an Office of Solar Heating established, or Solar Energy, in the Department of the Interior, despite the objections, may I say, of very prominent officials, in a then Democratic administration in Washington.

But I think there are a lot of possibilities to solar heat, and one of the reasons that I don't think enough has been done about it is that there are other competing forms of energy that are not quite interested enough to push it, and until we get it pushed, why, we are not going to get it. That's just my prejudice.

Take, for example, my State. We have unlimited quantities of peat. We had unlimited quantities of taconite, until we ran out of iron ore and nobody ever used taconite until we got the open pits all cleaned out. Now, they found out that they can produce—take solid rock that has 2 or 3 percent of ore in it, haul that rock, pulverize it into the consistency of fine talcum, and by a process, extract the ore and get pure iron ore pellets, or iron ore pellets of 60 percent iron ore, cheaper or, as cheap as, the days when we used to dip the iron ore out of the Great Mesabi Range, dip it out with scoop shovels on open pit mining.

So, what I am getting at is, that I think that necessity is the mother of invention, and when we need something, we will get it.

When we didn't get natural rubber in World War II, when the Japanese cut off all the natural rubber, there was one company in this country that had the patents on synthetic rubber, and isn't interesting that before that, we never had any synthetic rubber that amounted to anything, except for the most minor uses, and within 1 year, the

Government of the United States, the U.S. Government, built those fabricating plants, and we never were short of rubber all during World War II, and we built a synthetic rubber industry that was the marvel of the world, and the big question after the war was what to do with it, and we sold it back to the private industry at about 5 cents on the dollar, and gave them that magnificent technology and the plants, and today, most of our rubber is synthetic rubber. Two-thirds of it.

Now, in my State, we have got peat. Now, I have been in certain parts of the world, and I know that when you go to Ireland, you go to Scotland, you go to Finland, and I don't know, there are several other places, a large part of their energy, a good proportion, is peat. The Soviet Union produces vast amounts of peat.

Now, we can use peat technology. We can use geothermal technology. We can use, surely solar heating. I know that the so-called tar sands, or the oil sands and the oil shale is very expensive, and it is an exceedingly difficult technology.

But I will tell you what I will bet: I'll bet that if tomorrow they put an oil embargo on us, and the Soviet Union has decided to fuss around someplace else, except Angola, I will bet you we would find some energy, and I'll bet we would be able to pay for it.

In World War II, we even paid for Government bonds at one-eighth of 1 percent interest. In peacetime now, we pay for them at 7 percent interest.

I am not really always impressed by all these arguments that we cannot do it. The question is, do we want to? The damndest thing that ever happened to us, when the Arabs lifted that embargo. If they had kept it on 6 more months, we would have found a way to get energy. We would have found ways to get energy, no doubt about it.

Well, we can argue this, I've got my prejudices and they are hung on pretty heavy; but it isn't a prejudice to put you out of business. This is the interesting thing. I am not trying to do that. I just happen to believe that all of us, in our own way, get caught up in our own orthodoxy, and we can build a set of assumptions, which sometimes seem very logical, but they aren't necessarily what all the facts are.

Do you want to make any response? I can give you equal time.

Mr. BRADSHAW. I don't want equal time. I didn't mean that. I merely want to say that to clarify my own testimony, No. 1, the Shah of Iran can only set the price of Iranian oil. He does not set the price for—

Chairman HUMPHREY. Well, I mean he is in concert with others. I'm not picking on the Shah. I mean the OPEC countries.

Mr. BRADSHAW [continuing]. Oh. OPEC nations, they set the price for about 40 percent of the United States oil today, and, as we go on, they will set the price for considerably more.

Nature will set the price for what is produced in the United States.

Mr. SHEARER. Nature and technology.

Mr. BRADSHAW. Nature and technology. Nature and technology, and that will be a very high price.

Offshore drilling in the Gulf Alaska, if we get to it, offshore drilling in the Atlantic, if we can get to that, will be very high.

Chairman HUMPHREY. Do you dispute my figures about Norway?

Mr. BRADSHAW. Oh, yes; indeed.

Chairman HUMPHREY. You do?

Mr. BRADSHAW. I would be glad to send your committee information, detailed information, indicating the cost of North Sea oil, which approximates not—

Chairman HUMPHREY. No, I'm talking Norwegian North Sea oil.

Mr. BRADSHAW [continuing]. Yes, that's the same thing; \$9 to \$10 a barrel.

Chairman HUMPHREY. No, that's not at all what the government officer told me, and I heard this argument once before, and I read back the exact transcript, and I don't think he is a liar. I think he has to work for the Norwegian Government and has a sense of integrity and honesty.

Mr. BRADSHAW. Well, I would be glad to submit—

Chairman HUMPHREY. I am talking about what they spend to get a barrel of oil out of that North Sea, not what somebody does to it after they get their hands on it.

Mr. BRADSHAW [continuing]. Well, no one gets his hands on Norwegian oil.

Representative ROUSSELOT. They control it.

Mr. BRADSHAW. They control it.

Chairman HUMPHREY. They control it, but I mean what it costs the Norwegian Government to get that barrel of oil out of the North Sea.

Mr. SHEARER. Is that a government company you are talking about, Senator?

Chairman HUMPHREY. Yes.

Mr. BRADSHAW. Yes, state oil. They pay no taxes.

Chairman HUMPHREY. That is why they don't pay any taxes on oil until you get it out.

Representative ROUSSELOT. My understanding is, according to the House Commerce Committee, their cost runs between \$8 and \$10 when you take their production per barrel, if you take their investment costs, and I am not sure that they are including in their costs to just take it out and transport it that it is \$3 and something, but when you take the investment that they have to make to put the platform out there, then that is a little different story, I think.

Chairman HUMPHREY. I want to clarify it for the record, and if I am in error, I will write you a letter of apology, because I often make big mistakes. I am like La Guardia, when I make one, it's a beaut.

All right. Now, how about rebuttal, Mr. Shearer?

Mr. SHEARER. Yes, all right. I will be very brief.

Let me say that I think we would have had solar energy a long time ago if it had been possible for Arco or Exxon to own the sun, and I think that's clear, but—

Mr. BRADSHAW. That is a direct quote from Mr. Nader.

Mr. SHEARER [continuing]. Well, that's fine. He's a fine gentleman to quote. I have a great deal of respect for him.

Let me say that it seems to me to be nonsense for a society to allow its energy policies to be made by a handful of corporate executives who are not accountable to any democratic representatives. Now, I just do not understand that, and it seems to me that energy is so basic to the economy of the United States, that we ought to have both a clear national policy, and at least some mechanisms in competition with the private energy companies, as the Senator suggested; at least one

or two TVA oil companies, and I would also suggest that if we had followed Secretary Harold Ickes' advice, back during World War II, when Ickes wanted to create a Government oil company to deal with the Arabs, that we would have never had the oil boycott in the first place.

And then, to comment on Mr. Brown's testimony, I think it is a mistake to view technology as an independent force. Technology only exists and comes into being in the context of an economic and a political set of arrangements, and what happens to that technology is decided in a large part by your economic and your social system, and your values.

Computers are one example. Computers can be something that can be humanizing and decentralizing, as John Blair, who used to be the consultant to the Senate Monopoly—and the Monopoly Committee has shown you can use computers to decentralize or you can use computers to centralize, which is what often happens when computers are controlled by one or two large companies.

You can use technology to create small scale, very productive farming, which actually employs a number of people and produces very healthy food, or you can use technology to mechanize farming, to throw people out of work and produce food that is not terribly healthy, and not always tasteful, and it is not a question of going back to the state of an underdeveloped country at all. It is a question of who controls the technology, what are our values, how do we want to use it and what is more important, and certainly, balance is important, but right now, I would argue that technology is controlled by the largest corporations in the society, and so they decide the course and the use of that technology, and I would like to even up that balance a little bit, and then we will see what technology can do to further democratic values.

Thank you.

Chairman HUMPHREY. All right. This has been great. The whole purpose of this is to get people to think.

Representative ROUSSELOT. Can I ask one question, Mr. Chairman?

Chairman HUMPHREY. You bet.

Representative ROUSSELOT. Mr. Bradshaw, of the top 20 producing companies in this country in oil, what is the average profit percentage-wise, to either sales or assets?

Mr. BRADSHAW. Well, the important measurement in a capital intensive industry, as you know, is the return on assets employed, because that is where the money goes in and that's the name of the game. And for a 10-year period of time, the oil industries' rate of return was a few tenths of a percentage below that of the averaging manufacturing industry in the United States, averaging about 10½ percent.

Representative ROUSSELOT. Ten and one-half percent on assets, return on assets.

Mr. BRADSHAW. Yes.

Representative ROUSSELOT. What about on sales?

Mr. BRADSHAW. Well, that is about 4 percent.

Representative ROUSSELOT. Four percent.

Mr. BRADSHAW. Which is much lower than average.

Representative ROUSSELOT. Has that been your experience in the academic—does that check out when you check it academically?

Mr. BROWN. We don't have any profits at all, but that doesn't make us more virtuous.

Representative ROUSSELOT. No; but you study the business. We are told, you know, in Washington, that you are making 30 percent, 40 percent profit.

Mr. BRADSHAW. About 4 percent on sales and about—

Representative ROUSSELOT. Four percent on sales.

Mr. BRADSHAW. Yes.

Representative ROUSSELOT. And about 10½ percent on—

Mr. BRADSHAW. We are down this year, though. Our company's profits this year so far—

Representative ROUSSELOT [continuing]. Now, how much of your profits do you put back, do you plow back, into reinvestment for development?

Mr. BRADSHAW [continuing]. Well, multiply it by three or four times.

Representative ROUSSELOT. Per year?

Mr. BRADSHAW. Per year.

Representative ROUSSELOT. Do you take half of your profits? What do you take—

Mr. BRADSHAW. No. We take all our profits, and then we add to it 300 percent. We borrow money.

Representative ROUSSELOT [continuing]. You borrow.

Mr. BRADSHAW. Yes.

Chairman HUMPHREY. Now, those are profits after taxes that you are talking about?

Mr. BRADSHAW. Yes. For instance, this year it looks as though we will be making—no, I hate to mention big figures, because, you know, big figures are very suspect, but our profits this year will be in the neighborhood of 7 to 8 percent return on investment, which is also lower, by the way, than you can get in some pretty good banks, and that will amount to, oh, \$350 million.

Our capital budget, most of which is in the development of new sources of oil, is \$2 billion.

Chairman HUMPHREY. Well, the new arithmetic is very important, Mr. Bradshaw. I don't shudder when I hear it. One of the problems that we have today is to get people to think in terms of the new figures. People are horrified by the size of a Federal deficit today, but they don't relate that to the gross national product. This is true of our own individual—I remember the first home that I bought in Minnesota. It cost me \$6,000, and I had a savings and loan, one of those books, you know, I had to go in every month and pay.

I put on some garage doors last summer. As I recollect, that was about what it was. You know, that is really not much of an exaggeration. I think we put on garage doors and fixed up the garage, and it was around \$5,200, the doors and all.

Representative ROUSSELOT. Those must be good-looking garage doors.

Chairman HUMPHREY. They are damned good doors.

Mr. BROWN. Are they operated on solar energy?

Chairman HUMPHREY. Humphrey energy.

All right. Anything else here?

MR. SHEARER. Just one quick comment. I think the Congressman sometimes misunderstands and thinks critics of the energy industry object to profits, per se.

Representative ROUSSELOT. Well, I know you don't.

MR. SHEARER. It isn't that at all. It's a matter of what decisions are made; not whether the company makes X or Y profits.

Representative ROUSSELOT. Or who makes the decision how to use it.

MR. SHEARER. Right. Now, it would be interesting to ask Mr. Bradshaw at some other time, why they don't invest in solar energy—

MR. BRADSHAW. We do.

MR. SHEARER [continuing]. And make a profit.

Representative ROUSSELOT. They do.

MR. BRADSHAW. Oh, we do.

Representative ROUSSELOT. They are also invested in shale.

MR. BRADSHAW. Invested in shale, and all kinds of—

Representative ROUSSELOT. Tell him how much you invested in Colorado in your project there.

MR. BRADSHAW. Well, we have about \$20 to \$30 million that are just going to hang fire for years and years and years.

Chairman HUMPHREY. Well, we appreciate it, and we also know that when you make investments, you are responsible to the stockholders, too, and I like that.

Representative ROUSSELOT. You had better be.

Chairman HUMPHREY. Thank you.

All right. Don't anybody ever say we don't have a good time in this committee.

Our next panel, I call Mr. Bullock, of the University of California. Is Mr. Bullock here? And Doris Davis, mayor of Compton.

Did Mr. Harold Yee come in yet?

Representative ROUSSELOT. No; they haven't located him yet.

Chairman HUMPHREY. We will have Mr. Bullock and Miss Davis. I want to note that Mr. Alatorre, Richard Alatorre, member of the California Assembly, had waited here, but he had to leave. He is one of the most effective and imaginative and hard-working members of the assembly, and I know that he has worked with the Lieutenant Governor Mr. Dymally in reference to the presentation that Mr. Dymally gave us today.

I also wish to include in the record a statement that I received from The Pasadena Urban Coalition by Mr. Jay Jackson. This statement relates to problems that confront the Pasadena area, and the special emphasis upon the need for regionalism and regional organization to combat some of the economic difficulties that confront us. This will be made a part of the record at this point in the testimony.

[The statement of Mr. Jackson follows:]

STATEMENT OF JAY R. JACKSON, MEMBER OF THE PASADENA URBAN COALITION

Unemployment and inflation are both evils; but, of the two, we feel unemployment is the more destructive. There are countries that have had high employment with low inflation. That these countries have inflation now is a function of the energy crisis and the growing scarcity of the earth's resources. Much of our inflation has the same origins.

But unemployment! For some strange reason, this country feels that unemployment must be inversely proportional to inflation. Inflation has become another

of those code words we use to deny our responsibility to the poor. We even find it hard to believe the poor are not outraged by inflation. They are, but they are more outraged by the use of the word "inflation" as an excuse for their poverty.

What we lack is an ability to view the problem of poverty in detail. In Pasadena, we hear that Pasadena's unemployment rate is such and such. We hear that Los Angeles County's or California's rate of unemployment is such and such. But, we don't see the pockets of high unemployment. They are massed in with the rest of Pasadena or Los Angeles County or California—massed in with all those areas where unemployment is not so acute. Then we get bogged down in trading off unemployment with inflation. It is like using a cannon to kill a rat. We are afraid to use the cannon, so we decide we must live with the rat.

We need a regional approach for the solution. We need an approach in which Pasadena's problems are seen as the responsibility of the rest of the San Gabriel Valley as well. We need this view of regionalism elsewhere as well. Los Angeles' problems do not end at the Orange County line.

We need regionalism in the sense that we must transport the poor to the jobs, whether or not the jobs are in another city. We need regionalism in the sense that the poor must not be blocked by the archaic zoning laws that perpetuate the dual housing market for white and nonwhite, rich and poor. We need regionalism in our concepts of training and recruiting. We need regionalism to end those old labels that have no place for the poor—"the headquarters city", "a city of clean industry", "a nice place to raise the kids".

But, we first need to see, we need to see the poor where they live. We need to see those hidden corners of our cities where unemployment does not take a holiday when the Government declares a recession to have ended. We need solutions for the places where the recession never ends; and, if that means the bedroom and prosperous communities must make a hand in solving the problems of the poor, that time is long overdue. We are tired of talk of "Pasadena's problems", "Los Angeles' problems", "the Northwest's or Watts' problems", and the San Fernando Valley, and Orange County, and America as well.

Chairman HUMPHREY. All right. We will start out with Mayor Davis. I am sympathetic to mayors, I used to be a mayor. Doris, how are you?

Mayor DAVIS. I am fine.

Chairman HUMPHREY. You don't mind, Mr. Bullock, do you?

Mr. BULLOCK. All right. In this situation, I don't mind.

Chairman HUMPHREY. All right.

Mayor Davis, we really are happy to see you, and I am particularly happy. I haven't seen you for at least a year or more, and I want to wish you well in your great responsibilities as mayor of your community.

STATEMENT OF HON. DORIS DAVIS, MAYOR, CITY OF COMPTON, CALIF.

Mayor DAVIS. Thank you, Senator Humphrey, and God bless you in all of your endeavors. I want to wish you well, also.

We are very pleased that we have been invited to be here, to our Congressman Hawkins and to Congressman Rousselot, that we were asked to come to give our brief statement. With the constraints of time and the hour is late, we will just edit our remarks.

Congressman Rousselot, it is so good to see you again.

Congressman ROUSSELOT. Hello. It is nice to see you again.

Mayor DAVIS. And we are very pleased to, as we said, make very brief remarks, because we feel that our city, and small cities, do suffer a great deal, and that the picture would be quite different from that of Los Angeles, per se, or the larger cities.

The city of Compton, through various approaches through the past, has planned and instituted various programs of economic develop-

ment to offset and reverse many of the national trends of our economy which are besetting a community such as ours, which is one of 80,000 persons, primarily composed of minorities; 70 percent black and 14 percent Chicano, in which we have had to deal with not only the reverses of the national economy, but also the subtle discriminatory practices of lending institutions, in terms of redlining and other types of discrimination which we have dealt with.

And then, added to that, the high unemployment rate, which we are here to discuss this afternoon. We feel that regardless of how creative our approaches to these problems might be, that we are not really impacting the problems.

We have taken a threefold approach, and we have devised many strategies to try to offset these, but just the case in point, the decline of our retail sales in our area. Since 1965, we have seen a reversal or decrease of 90 percent of our retail sales since 1965, and now, merely 10 percent of that is being accrued to the city.

And when we see these kinds of serious reverses, then we have to begin to look at the partnership concept between industry and commerce and Government that will help us to try to augment these and offset these differences.

One of the things that we have done that we felt were fairly unique is our Community Development Corporation in which, if we are to revitalize our community, and we include in the revitalization the infrastructure of the community, to share in the profits and the rebuilding of the community.

This, and any other programs that we have, will suffer, unless we get full support from governmental agencies, such as EDA and are able to really put some meaningful projects into operation in our community. Various other branches of the Department of Commerce that are designed to help small businessmen and which, in reality, have no budgets, such as in the Department of Commerce, so that we are able to offer the Government-backed loans, for example, in which we do not enjoy these kinds of privileges.

We are also looking at what we call a concept of Educom—

Chairman HUMPHREY. Of what?

Mayor DAVIS. Educom, which is an acronym for Economic Development Union for Compton, and we have used the model since 1970 with Rockwell, in which they have come into our community and have done training with our young people in the high school, through the education and through our school district. They have taken the small businessmen, and we have actually charted the number of Government subcontracts that have been passed through their industry and other aerospace into our community during the 5-year period to really see what kind of partnership is going on here between industry and a city such as ours, and we have noted and charted that there is not, indeed, this type of passthrough that has to happen in situations like ours that will make any kind of meaningful impact on jobs and actually on business, so that we can become self-surviving.

Now, these kinds of things are the things that lead to the Government's programs on CETA, and I was mentioning to Congressman Hawkins, I am the chairman of the Los Angeles County manpower program, the CETA program for the county of Los Angeles.

I represent the League of California Cities, as the chairman for this committee. We have had such a problem in terms of title 6 versus title 2, wherein we see political expediency addressing itself to short-term 36-week type employment of the aerospace and the newly employed. It was pointed out in your previous testimony, we are not touching the real problem of the long-term, hardcore unemployed persons that we deal with primarily in our communities. We are very distressed when the Department of Labor gives us the types of assurances so that we begin to program for a certain level, and then we have the shortfalls that we have had. The reversals that we have had to deal with, after we hire up in our municipalities, hire up, and then have to immediately turn within the next 6 months and begin to lay off these people.

And these are the kinds of things that we have to deal with on a daily basis.

Now, the city of Compton has a median age of 19.5. Most of our—50 percent of our population are schoolage population. We have a young community, young adults, and, as a result of this, we have serious problems.

This means that we have a 20-plus percent unemployment rate, because in the young age group of 16 to 25, we realize a 40-percent unemployment rate. Now, these are real problems that result in the highest—one of the highest crime rates, as we well know.

Congressman Rousselot has been to our city to look at the housing, the devastating types of housing problems that we have to face. These are Federal Government-backed housing and guaranteed loans that are not being supported. It is just unbelievable.

And Congressman Hawkins is so familiar with the problems, because this was formerly our Congressman, before we were redistricted, so I am especially highlighting the problems of housing, and which we have—more than 20 percent of our housing stock that has deteriorated, and when we talk about manpower and the utilization and we hear the former testimony of industry, how we can take and utilize this manpower to revitalize and rebuild these inner cities, rather than talk about the—and certainly, we want to utilize these persons in terms of training for technological—

Chairman HUMPHREY. Would you just explain for me, since I am not familiar, Mayor Davis—

Mayor DAVIS. Yes.

Chairman HUMPHREY [continuing]. With the problems in Compton, except in the most general way, what is the problem there in the housing?

Mayor DAVIS. In housing, our problem has been—well, I don't want to get into too many specifics.

Chairman HUMPHREY. Let's talk about—it's the Secretary-owned housing, isn't it, you are talking about?

Mayor DAVIS. Secretary-owned housing that we have had under the PROP program, under 312 moneys, we are not getting moneys to do revitalization and rehabilitation. We were offered—we have housing stock, as I have mentioned, sizable number; in fact, I think our percentage, to give you a very broad idea, proportionately compares to that housing stock of Detroit, proportionately, of deteriorated HUD-held housing.

Chairman HUMPHREY. So these are housing units in which there were Federal loans, and so forth, that are in default, that have come back to the Secretary, to the Department.

Mayor DAVIS. That is correct.

Chairman HUMPHREY. And they are boarded up.

Mayor DAVIS. That is correct.

Chairman HUMPHREY. It's the same thing we see in Chicago and every place around the country.

Mayor DAVIS. Yes; true.

Chairman HUMPHREY. And we seem to have a paralysis about knowing what to do about it.

Mayor DAVIS. That's correct.

Representative ROUSSELOT. So that makes the Federal Government a big slum landlord.

Mayor DAVIS. That is exactly what it is, and the thing that—we are not here to indict the Federal Government, nor anyone, but we would like a partnership that when these programs come, are devised and passed through Congress and there are moneys appropriated, that there be some formula for proportionate, based on the need formula, of how do you get a community such as ours, with the percentage of housing that we have, and for \$12, which is rehabilitation money, we are told that there is \$100,000.

Chairman HUMPHREY. For your community?

Mayor DAVIS. \$100,000 and we are talking about 1,200 homes. I mean, you know, it's just—it is totally irrational.

Chairman HUMPHREY. Sick.

Mayor DAVIS. It is sick. That is the word for it, and you say can I be general? I just cannot be general, because there are just so many specific programs that we have to deal with, that the reality does not match.

We fight for this legislation. We come—I testified all up and down, back and forth to Washington. You get the programs through, and then, when it finally trickles through, there isn't even enough there to pay for the plane fares and the phone calls that we have been making back and forth, just trying to get the legislation enacted, and this is a reality, and it's a very cruel hoax that I think is being perpetuated on communities such as ours.

Chairman HUMPHREY. Well, I am going to note in this record, remind the Joint Economic Committee staff—we have an Urban Affairs Subcommittee—to take a good look and get an inventory of all of this Secretary-owned housing, and relate it to the need factors, as you are talking about, Mayor Davis, and see what we ought to have, in terms of budgetary requirements here.

Mayor DAVIS. There should be some proportionate basis of distribution of moneys, in terms of the need, and I just cannot understand.

I was going to make some specific recommendations, because I think the Federal Government can do things.

There was a massive need—a large amount of Federal inventory for a large Federal building for the Los Angeles-Orange County region recently. This was located, the final decision, in Orange County, and it was located in an area where there was, indeed, a great deal of land surrounding it.

Now, that land will build up, and you will see a buildup of suburban communities. Why is it that the Federal Government, in looking for its GSA inventory of needs, not locate in communities, in inner-city communities, which is more accessible to transportation-dependent residents and citizens, rather than building up of suburbs and using this to foster and build communities that are out-reaching and away from inner-city communities.

These kinds of things are very practical. In fact, I was going to say that it reminds you of a family that has a picnic. They dirty up the beach and they just move on down the beach. Why can't we use these unemployed people that we have to go in here and clean up these communities that were created and deteriorated, and I think these are just practical, down-to-earth kinds of requests.

Chairman HUMPHREY. Let me just ask on that one, because there is a law, as you know, that requires the centralization now of Federal public, or Federal facilities. It's very difficult to enforce, because most of the people in Washington like to build everything right smack, bang, in Prince Georges County, Montgomery County, or Arlington or Alexandria, and not even in the District. They kind of like to get out around, you know, the river there a little bit more.

Are the land costs in the inner—in the city, for example, so prohibitive that the GSA could make a good defense of its decision to build in suburbia?

Mayor DAVIS. I can assure you that, using Government money, rehab money, that we have cleared land for development and are unable to attract developers into our areas, that we can offer you land that you have helped us to clear, massive amounts of land, that we are offering to developers almost for a song.

We are in the process of talking not only Federal and State, trying to attract agencies into a new civic center, for example, that we are trying to build. Our city has a city hall and the county has a courthouse, but we have been unable to get the kinds of connections that you need to get into. I am happy to hear about this decentralization.

Chairman HUMPHREY. Oh, yes. It is a very specific statute.

Mayor DAVIS. Because I would like to lay claims to some of whatever is coming out this way, because we have to have—and, therefore, the Government workers that will be working, naturally, are going to build up, and this is the way we begin to revitalize inner communities like this.

Chairman HUMPHREY. Sure.

Mayor DAVIS. I think there are many things of this type. Transportation; you have talked about the technology of the aerospace, and these other industries here. Why can't we use these planners and these designers on designing and getting better transportation plans and equipment, so that we can have these inner cities addressed in terms of our UMPTA and transportation.

We are being bypassed, in many instances, even in the route that is being suggested by UMPTA. We have gone through, trying to get transportation planning money, to show the rider dependency of our community and, instead, we see that they have recommended that it be located 7 miles away, and that is—the recommendation for Martin Luther King Hospital, which is a county facility and which has a little more pull than a small city; naturally, the county is going to—

I mean, it is this kind of thing where reason does not prevail, and I think that these are the real things, and I don't want to go on and ramble, but—and I would like to hear my astute colleague, who really has the real answers, but we are on the day-to-day firing line on these projects.

We have been promised national priority money for law-enforcement, because we have such critical law enforcement; that because Compton, you know, illustrates and very graphically demonstrates the need in law enforcement, that we would be one of the national priorities planning.

I was appointed to sit on the National Board for Goals and Standards. Now I understand all the national priority programs are being scrapped as of June.

What happens to the commitments that we have been given, that we would obtain this? I mean, if it is good reason that we are going to address ourselves to indefensible space and we are going to talk about housing and the root causes of unemployment that make crime, why is it that because of a shift of philosophy in the Justice Department, or in LEAA, that now, the entire concept of national priority is being scrapped, and we are left high and dry, after we have spent more than 2 years in the planning for these programs, and we don't have that much staff.

You know, it is this kind of thing that is so incongruous.

Chairman HUMPHREY. How come you haven't written to me, Doris? I would have written and raised all kinds of Cain for you.

MAYOR DAVIS. Well, my goodness. You know, I never do that to my friends. I mean, I walk up and down my Congressman's back all the time, but I never think about—I'm not much of a politician.

Chairman HUMPHREY. Well, we have known each other a long time. I'm impressed with what you have to say. I am just one of the soldiers in the field, but that just seems to be so inequitable and so unfair.

MAYOR DAVIS. We have so many critical problems. Congressman Hawkins has helped us on trying to restructure a new CAP agency in which, you know, we fought all the way through, so that that wasn't killed off, but now, I mean; it's just innumerable. Name it, we have it.

Chairman HUMPHREY. You look marvelous. It doesn't hurt you a bit.

MAYOR DAVIS. Thanks, Senator.

Chairman HUMPHREY. Well, we will come back to you here. We will listen to Mr. Bullock first, and then we will have questioning.

Mr. BULLOCK. Thank you, Mr. Chairman.

Chairman HUMPHREY. Mr. Bullock, we do want to welcome you, and we know that you have much that you can offer to us. I understand that you are with the Institute of Industrial Relations at UCLA.

Mr. BULLOCK. Yes, I am.

Chairman HUMPHREY. And you specialized for a number of years in the studies of employment and unemployment, and particularly, the employment possibilities, the outlook for young people.

Mr. BULLOCK. Our young people; yes.

Chairman HUMPHREY. That is very dear to me, and I am anxious to hear what you say.

STATEMENT OF PAUL BULLOCK, RESEARCH ECONOMIST, INSTITUTE OF INDUSTRIAL RELATIONS, UNIVERSITY OF CALIFORNIA, AT LOS ANGELES

Mr. BULLOCK. Well, I certainly agree, and have said this on several occasions, that to me, the most significant, chronic, long-term problem that we face in this country is the massive unemployment and underemployment of young people in the innercity ghettos and barrios. This is the critical problem. It is a problem that has been largely downgraded, or minimized, in recent years for a number of strange reasons.

A number of people representing the administration, in some cases, concerned economists, and others, have told us, in effect, that the fact that you have a lot of young people entering the labor force with traditionally high unemployment rates and a lot of women entering the labor force, again with high-unemployment rates, means that unemployment isn't all that serious.

Now, there are a number of ramifications to that. Let me just suggest, and I am summarizing a part of what I said in more detail in the statement, that to me, unemployment, underemployment, a bad labor market experience at the very point of entry into the labor market, can distort the attitudes, the work patterns, the career perceptions of young people over their entire lifetimes.

And the simple fact again, going back to something that my good friend, Mayor Davis said, about the fact that here you have a community where the median age is 19½, you say?

Mayor DAVIS. That is correct.

Mr. BULLOCK. The median age is 19½ years in that community. Now, this is a group that should be a No. 1 priority group. Not just for makeshift, short-run palliative programs of the kind that we have had, but for a systematic, well-planned, permanent program that links together the education of young people, with the opportunity to get into the labor market, to sample the labor market, to have an exposure; not just to traditional occupations, not just to vocational education, as it has been developed in the past, but a variety of occupations that cover a whole spectrum, from professional, all the way through semiskilled in the category, and so on, and that we simply have not done.

Our programs, as I say, have been palliative. We have had some programs that are very good, as far as they go. The Job Corps is a fine program, as far as it goes. Apprenticeship is a fine program, as far as it goes, but what portion of the young people, who are most in need, are reached and involved by these programs? This question answers itself; a very, very small proportion.

Now, let me turn quickly to what I think are the constructive approaches to this, because I don't think there is any point in detailing to you, as you well know, the severity of the problem.

I think it has to be faced on at least two major levels, and the first one I would call, in the jargon of economists, the macroeconomic level, and to summarize briefly, there is really no possibility of dealing with the youth unemployment problem effectively, or any other sub-problem that we are talking about, unless this is done in the context of a national full-employment policy.

There has to be a firm commitment on the part of the Federal Government and shared by the State and local governments and by private business, to a concept that we don't have to tolerate high levels of unemployment on any grounds, and this means then, that I think we have to have two things at the national level: We have to have the passage of the Humphrey-Hawkins equal opportunity and full employment bill; we should have, I think, a national planning system, which gets away from this opportunistic piecemeal approach and looks at the problem of youth unemployment as part of a wider picture, where it is one element, a balanced element, in a wider plan, and this means that we have got to have, then, some national planning machinery, which is fully democratic, fully participatory in the sense that everybody involved has an opportunity to engage in the planning process, and this ought to look ahead.

Now, what have we had in the past, in terms of youth programs? We have had summertime programs, crash programs, where nobody, for a number of reasons, has ever had any opportunity to plan anything of value, and this is partly the fault of the whole manpower planning system, it's the fact that the appropriations always come at the last minute, you don't know the amount, you don't know exactly when they become available, what the restrictions are, as to how they are to be used, so you cannot plan.

And what does this mean? It means that you have a continuing series of makework programs, which are pacifiers, instead of programs which are linked to a meaningful career objective, perhaps, of the youngsters who will be going into these programs.

And so, what you have to have, is a combination and a collaboration of schools, the Federal agencies, the funding sources, the employers and the unions that is brought together in a kind of comprehensive, democratic plan, and so I think that certainly, we have to have also the passage of the Humphrey-Javits economic growth and planning legislation.

Chairman HUMPHREY. Or something of that nature.

Mr. BULLOCK. Yes.

Chairman HUMPHREY. I want to make it clear that I have never felt that our bill was the alpha and the omega of the way to establish goals and priorities and forecasts and plans. The whole purpose of it was to arouse people's blood, so they would start to think. And, boy, have we got some of them aroused.

Mr. BULLOCK. Yes. Well, that, of course, is the history of how great legislation gets passed. The Social Security Act of 1935 was the end result of this kind of process, and obviously, it's going to be amended and changed, but all I am saying is that the concept that it represents should be adopted and implemented on the national scale.

But one thing that we do know, from the statistics and from the historical experience of the last 20 years or so, has been that these programs of economic growth and strong employment, high employment policy, have never been sufficient to deal with these continuing high rates of unemployment among minority young people in the inner cities.

Even those economists, like Paul Samuelson, who is a very good and great Keynesian economist, and he feels that a great deal of the

problem that I am talking about can be met by the proper fiscal and monetary policies.

We will admit that these fiscal and monetary policies, even those periods of high employment and strong economic growth, have still left us with a major, massive youth unemployment problem, and just as an aside, in 1965, when we had the riot in Los Angeles, general economic conditions, particularly, let us say, compared to the conditions today, were relatively good, but we had a massive series of uprisings throughout the country and major participants in those uprisings were disenchanted, alienated, frustrated young people who were not being served, even by our policies of high employment generally and strong economic growth.

So what I am saying, in addition, is that we need those macro-policies as the condition to do something on what I would then call the microlevel.

And let me get to that. Let me be very specific in terms of a proposal that I think might well be of interest to the committee.

It seems to me that what we have to have is a linkage of education, with work experience. It should start in junior high school. It should be concentrated first in those low-income areas where the opportunities and options for the youngsters are most limited.

I think the program could be of great value for all youngsters, as a matter of fact, but I think we have to make a start, and I think the priority is to start where the youngsters don't get career guidance and information out of the household. As a matter of fact, nobody in the household has been employed in the kind of work where they could offer this kind of guidance. There are no so-called models in the household fully employed in decent work, and so that is where you start.

So, I say, let's start in junior high school. Maybe in the eighth grade. Not with the idea of fixing a particular pattern of career choice, but to open up the eyes of the youngsters to the variety of opportunities and potentialities in careers and to integrate this into the regular curriculum, so that it is not just a special program.

OK. We have a funded program here. We will add a few teachers or a few counselors or a few career advisers now until the money runs out, and then the whole thing is dropped.

This builds frustration, because once you do that, and it is done on an unplanned, chaotic, nonpermanent basis, and you have triggered, at least, some expectations among young people, and among others, and among the teachers and everybody, and then it is dropped. Even though it has been a success, it is still dropped, and you end up with more frustration, more resentment, more disenchantment than you had when you started out.

Now, I think that this kind of program should start in the junior high school. It should involve the very specific training of teachers and counselors and career advisers in how to identify potential career aptitudes of students. What is the labor market, not just now, but, again, we have got to project ahead as best we can, and this brings back the planning element here.

You have got to tie this into planning, so that we are training people not just for jobs now, but for jobs that may be developing 5, 10, 15, 20, 25 years from now.

There should be systematic visits of young people in these low-income areas to places of employment, both in Government and in private industry.

There should be people involved in this program who could serve as workshop leaders, or guides, or special teachers, and here we might have to look at the special credentialing requirements, and so on, but at least let's bring people into the schools who perhaps come from the community, have made some success, have established a base in an occupation, in an industry. Bring them in, let them serve as the guides. Let them serve as workshop leaders. Let them work directly with the teachers and the counselors and the career advisers, and so on.

Now, this should proceed into senior high school. In senior high school, this should be expanded into a program which still involves the visits and the workshops, but also involves, I think, one other important element, and that element is the provision of part-time internships, full-time in the summer, in a diversity of fields and flexibility is built into the program, and a youngster could spend a month, maybe at a part-time internship at one particular kind of occupation, or one particular firm; maybe go and spend another month somewhere else, within the broad scope of his interests and aptitudes, so that he gets a real feel for what is possible and what is required, what is really required of him or her.

Funding should come from Federal sources for this program, and here I think it is very important to look at this issue of the division of responsibilities between the Federal and the local areas, and also within the Federal Government itself, there has to be very close coordination. And, again, this gets back to the need for overall planning between HEW and labor on this.

If you move ahead rapidly on the job slots, so that employers are opening up jobs but the students, who are appropriately trained and oriented are not there, then what happens? The employers get disenchanting and annoyed.

On the other hand, suppose that you do move ahead on the in-school educational side of it, but we lag behind in the development of the job and internship opportunities, what happens then? Again, you build more frustration.

The aspirations and expectations of the students reasonably have been raised, but if there are no jobs or if there are no real substantive internship opportunities available over there, then, again, they become frustrated.

Now, if you are talking about two different funding sources here, if some of this has to come from HEW and some of it has to come through labor, some of it comes under CETA and some of it comes from another source, it is very important that this program be coordinated step by step, reviewed as a whole, not just as a series of separate actions or you are going to get it out of kilter, and it will ruin the entire program.

Last point that I want to make. I think our whole approach has been wrong in the past on this youth unemployment problem, because, in terms of our national policy, we have treated young people so often simply as a problem that has to be dealt with, rather than as real human resources, great potentials, and great intelligence, and great

creativity, that only needs to be developed, recognized, developed and effectively channeled.

Unless we realize finally, as a nation, that even in the very lowest income communities, and this, I must say, is based in my case on 10, 15 years of knowing the young people that I am talking about, so this is no ivory tower theorizing; this is something that I can say directly out of my own experience, and they have tremendous potentials, tremendously creative. Even some of the kids who are leaders of gangs here in Los Angeles are tremendously sharp.

Chairman HUMPHREY. That is why they are leaders.

Mr. BULLOCK. That is why they are the leaders, but in our national policy and in our local policy, we have never built upon this. We have never taken advantage of it. We treat them as problems, and so they act as problems, so I would simply suggest, let's switch our policy, let's base it on what I know to be the truth, that there is potential in the communities, and that if only we use the imagination and the innovation that we are capable of using, we can meet the youth unemployment problem and we can turn what we have regarded as problems in the past to, I think, great human resources in the future.

[The prepared statement of Mr. Bullock follows:]

PREPARED STATEMENT OF PAUL BULLOCK

On the 30th anniversary of enactment of the Employment Act of 1946, it is particularly appropriate that the Joint Economic Committee of the Congress, established under the provisions of that act, is holding regional hearings throughout the nation on questions related to employment policy. In that 30-year span, the United States has made remarkable progress in most areas of public and private policy, and our technical and technological achievements have been historic. In the realm of practical economics, however, our record is dismal. In certain critical aspects of its operation, the American economy has retrogressed since the end of World War II. It remains a supreme, and shocking, irony that only in wartime have we achieved reasonably full employment.

Even in those rare periods (such as 1961-65) when the United States has attained relatively high levels of total employment combined with comparative price stability, the unemployment rates for minorities have remained excessive (and significantly above the corresponding rate for Anglo Americans). From a long-run viewpoint, the most disastrous aspect of this problem is the persisting unemployment among young people, and notably among young Blacks and Chicanos, at levels far in excess of the rate for other segments of the population. This problem, which has been acute for more than two decades, perplexes even those economists, like the distinguished Keynesian Paul Samuelson, who tend to think that fiscal and monetary policies are sufficient to restore high levels of employment generally. Even in those times of broad prosperity, excessive unemployment and underemployment have persisted among youngsters in the inner-city ghettos and barrios. At the time of the Los Angeles "riot" in 1965, general economic conditions were far superior to those prevailing today, but there was pervasive discontent among the many teenagers and young adults who found useful work and career opportunities closed to them. If there was discontent at that time, how much worse must be the frustration and resentment now?

Given the extent and duration of this problem, it is truly astounding that relatively little has been accomplished, either by government or private industry, to confront the issue of youth unemployment or misemployment directly and effectively. In recent years, official Administration representatives and conservative economists have even minimized the severity of high unemployment by suggesting that the excessive unemployment rates among young people and among women in the work force exaggerate the size of the problem, that in some sense their unemployment should not "count" as much as does the joblessness experienced by adult males. Such a view reflects, in my judgment, a sexism, racism, and anti-youth bias which subtly underlie much of our national policy.

To the contrary, an unsatisfactory or demeaning experience at the point of entry into the labor market can permanently affect the lifetime work patterns and attitudes of young people. The failure of our society to generate *meaningful* career training, internship, and employment programs for youngsters—especially for minority young people trapped in ghettos and barrios—is a primary source of chronic, long-term “structural” unemployment which has never been fully overcome by fiscal or monetary policy alone. A program of strong national economic growth and fiscal-monetary expansion is a *necessary*, but not a *sufficient*, condition for the solution of the minority youth unemployment problem.

One reason for our collective failure to deal effectively with youth unemployment is the misconception that, since youngsters presumably are not the primary breadwinners in the typical household, the general problem can more usefully be approached through an emphasis on generating job opportunities for adult male heads of households. Obviously, job development for the adult unemployed is tremendously important, but the record of the past twenty years shows clearly that this, in itself, does not solve the long-run, fundamental problems affecting young people. Furthermore, in low-income communities the income received by youngsters often is essential to the welfare of the household, and in many cases, a teenager or young adult may actually be the effective head of the household.

In any case it is incontrovertible that the United States has failed to establish efficient procedures and techniques to improve the process by which young people (and, again, most notably the minority youngsters) enter the labor market. This may not be of critical importance to those who reside in the more affluent neighborhoods, where information and guidance on educational and career planning are readily available within the household, but it is disastrous for those youngsters in lower-income areas where resources are limited or nonexistent and family income is at or below the poverty level. Risks and dangers multiply when youngsters, even in their early teens, are exposed to the temptations of a “street economy” where a chancy income can be obtained from illegal sources. Any resulting criminal record, of course, exacerbates the difficulties encountered by these young men and women in securing permanent career employment.¹

My own studies in Greater Los Angeles, conducted over the past five years, demonstrate that youth unemployment rates are disastrously high (among teenagers in Watts and East Los Angeles areas, the rates were 62 percent and 34 percent, respectively, in 1971) and that the few existing federal programs to combat this massive problem have been inadequate. The major conclusions may be summarized in this way:

- (1) Teenagers in low-income communities receive little or no useful vocational and career counseling, either through the schools or the Employment Service;
- (2) The temporary jobs offered to some of them, principally through the Neighborhood Youth Corps and special summertime programs, usually have had little substance or genuine training component and are more in the nature of “pacifiers” which supply a low, short-term income;
- (3) Other programs, such as the Job Corps, have been valuable as far as they go, but reach only a small proportion of the young people in need and, then, under special circumstances which may not fully satisfy the requirements or preferences of the major target group;
- (4) Apprenticeship programs suffer from the same limitations, and are concentrated heavily in the construction trades where severe unemployment now restricts the amount of employment which can be offered to minority young people;
- (5) There have been several worthy training or work experience programs operated through the Los Angeles City Schools, including the Regional Occupational Program, but again they reach only a small minority of those in need and have certain built-in limitations such as the unavailability of transportation so that youngsters can reach the work or training sites and, particularly, the inadequacy of employer participation.

In my judgment, these problems and deficiencies must be attacked on both the “macroeconomic” and “microeconomic” levels. Clearly, no program directed specifically to the problems of youth can genuinely be effective in the context of a sluggish economy. Nor can the solution to such problems be approached efficiently on a short-term, opportunistic, piecemeal basis. Since the source of the

¹ I have explored some of these problems in detail in my book—*Aspiration vs. Opportunity: “Careers” in the Inner City* (University of Michigan: 1973).

difficulties lies in the long-term structure of American economic and educational policy, only a system of democratic and fully participatory national planning can provide the framework for a viable solution. Thus, prompt passage of both the Hawkins-Humphrey Equal Opportunity and Full Employment Bill and the Humphrey-Javits Balanced Growth and Economic Planning Bill is an indispensable first step.

Before turning to a consideration of some necessary steps in the "microeconomic" arena, I want briefly to evaluate the frequently-made claim that the lowering (or elimination) of the federal minimum wage required for youthful workers would materially assist in solving teenage unemployment. At best, such a policy would merely convert unemployment into underemployment, since there is no built-in incentive for employers to develop career-oriented training in connection with these low-paid jobs. Unions, probably with good reason, universally oppose such a weakening of the minimum wage, fearing the substitution of low-paid younger workers for better-paid older ones and a generally adverse effect on the wage structure. As the more conservative proponents of lower minimum wages undoubtedly are aware, by implication this policy could easily be extended to the general unemployment problem, suggesting (in line with conventional economic theory) that the way to reduce adult unemployment as well is to lower or remove all minimum wages. My own studies suggest that the effects of a lowered minimum wage on the hiring of minority youngsters are uncertain, at best, because many employers are reluctant to hire unskilled teenagers from the central city on other grounds, and that any such move would further diminish the supply of youngsters available for low-paid, dead-end employment. Unquestionably, the attractiveness of illegal or illicit sources of income would be further enhanced by wage reductions in legal employment.

There are alternatives, I think, to this essentially negative approach to the problem. Within a context of full employment and systematic national planning, the transition of minority youngsters from school to the labor market could be facilitated and improved by permanent programs designed to offer realistic career guidance and work experience, on an internship basis, beginning in junior high school and extending throughout the high-school years. While such programs may have value for all youngsters, they should be initiated in those areas where incomes are lowest and opportunities for young people are now most restricted. Part-time work internships during the school year, and full-time internships in the summer, should be available to students in the last two years of high school. Flexibility must be built into the program, with internship experiences covering a wide range of occupational fields and an opportunity for youngsters to "sample" a diversity of jobs within their broad areas of interest and aptitude.

The junior high school program would consist primarily of special training of selected regular classroom teachers and of counselors and career advisers (in several fields) in career information and orientation as these may relate to the subject matter of classes and how best to identify potential career aptitudes among students; preparation and testing of special instructional materials and aids related to careers; and trips to various work sites and/or college campuses. In senior high school, the program would be expanded into an intensified career awareness activity in the 10th grade, with systematic visits to work sites coordinated with week-long workshops on and off campus. As noted, paid work experience, with necessary transportation included, would be available to juniors and seniors.

Participation in this program would not be limited to those youngsters identified as being academically superior, but, rather, would be open to students at all levels of existing academic achievement. Thus, the internships could serve as a motivating force for young people, including those who are disenchanting with the existing school program or are otherwise alienated, as well as a channel through which to generate career awareness and work exposure for the already motivated.

Essential to the success of any youth employment or internship program is the willingness of both public and private employers to make training or work slots available to the young people involved. Here I believe that there may be a feasible and more desirable alternative to a reduced minimum wage as a device for encouraging the employment of young people. Specifically, CETA and general revenue-sharing funds could be directed to subsidies for the setting up of this program, and private employers could reasonably be granted tax credits to cover the ongoing costs of providing appropriately-monitored internship slots. Monitoring at the local level could be accomplished, at least in part, by tripartite com-

mittees with representatives from the schools, employers, and unions. Jobs offered under the program would pay the prevailing wage (or the minimum wage if that is higher).

As a method of stimulating employment in those communities and for those groups which suffer the highest rates of chronic unemployment, the direct employment credit is far superior to the existing credit for new investment. Under the prevailing system, no distinction necessarily is made between investment which generates new employment and that which may actually be labor-saving in ultimate result, and there is no assurance whatsoever that any jobs created will be available to those most in need. Some economists emphasize the presumed multiplier effect of any plant investment, suggesting that it will have a "ripple" or "trickle-down" impact on total employment. Whatever the merit of this argument in relation to other segments of the labor force there is no evidence of which I am aware that the investment tax credit has had any positive influence on the magnitude of youth unemployment in minority communities.

If this career orientation and internship program is to be truly effective, close collaboration and coordination is required between the U.S. Departments of Labor and Health, Education, and Welfare. It is essential to coordinate the various steps and phases of the program, at both the school and employer levels, so that a balance is maintained between the availability of suitable work internships and the capacity of the schools to provide appropriately oriented and trained students. Otherwise, frustration and disenchantment immediately arise among those who find their expectations thwarted.

To summarize, youth unemployment in low-income minority communities has remained excessive consistently throughout the past twenty years or so, and reaches disastrous levels in periods of slow economic growth and general recession. Establishment of a full-employment and national planning policy is a precondition to the solution of this problem, and this requires the passage of the Hawkins-Humphrey and Humphrey-Javits bills. In addition to this, however, the specific problem should be addressed through measures which ease the transition of young people from school to the labor market. The proposed career orientation and internship program would be one of those measures.

A major deficiency in our national approach to this problem has been a general failure to recognize that there are vast resources of intelligence and creativity among young people in minority communities. Programs initiated so far have not sufficiently focused upon the already existing strengths in the inner cities, too often treating young people as problems to be dealt with rather than as human resources to be developed. If we now adopt national policies which recognize and offer an outlet for the vast human potentials present in every community, we will be well on the road to a just and humane economy.

Chairman HUMPHREY. Thank you. Thank you for one of the few documents of encouragement that I have heard about the possibilities of youth employment.

We have been getting so much general information about, you know, summer jobs, which I have been very interested in; part-time work, neighborhood youth corps. I don't want to diminish the importance of those, but I can confess to you that we, in the Congress, by our delay in the appropriation process, have half wrecked these programs. There is no doubt about that at all.

Mr. BULLOCK. Yes, yes; the funds are always late in coming.

Chairman HUMPHREY. And every little village and town and city and county in the country, any official will tell you just that.

I had, the other day, during the Christmas recess, the people come from the little village where I live near, Waverly, Minn., a very small little town, and they are looking forward to the building of a substantial recreational area alongside a very beautiful little lake. They were asking me, "Well, what do you think is going to happen in neighborhood youth employment," because they wanted to use their young people to work to build some of these facilities.

Now, let me tell you, quite candidly, the problem of young people in small, rural communities is a horrendous problem. It isn't just New York, and it isn't just Los Angeles. You ought to see the damage that it has done in vandalism and the little street gangs and small, one-block streets that take place in rural communities throughout the United States. It is becoming a major problem, because there is nothing to do in some of these small towns, and I mean but nothing, except to get in trouble.

Mr. BULLOCK. Right.

Chairman HUMPHREY. It starts off with hubcaps and draining gas tanks and then just whooping in on people and taking over, and I have seen it, but there is no—they never can plan anything.

The mayor of the town comes to you and says, "Well, what do you think is going to happen? Do you think we will get any help this year?" And, quite frankly, most State governments don't spend much time on it, either, and what we do is sit around pontificating about the deterioration of our youth.

I would have hated to think what would have happened to me if I had not had a dad on my back in a drugstore that I had to work in, with my amount of energy.

Representative ROUSSELOT. Me, too.

Chairman HUMPHREY. You know, there were other disciplines in my youth. The economy was much more decentralized. Most of the kids in my town grew up with parents that had a little shoestore or a barbershop or a millinery shop or a grocery store or a blacksmith or an elevator or a garage. You know, we had a little community, and all the kids worked with the folks.

Today, you cannot take anybody to the automobile company with you. You have got to leave the kids home. I cannot even hire anybody in my own office if it is my family. I think there is some kind of standard or law about that that makes it exceedingly difficult, at least in Minnesota. They call it nepotism out there.

They would rather have—they are much more concerned about nepotism than they are about vandalism in many places, so your proposal touches me.

I want to say that I hope that—let me ask some questions. Does the Department of Labor ever consult with you?

Mr. BULLOCK. I made this, the essence of this proposal, recently at a session here in Los Angeles, in which Secretary Dunlop, who may be on his way out now, I don't know. But, at any rate—

Chairman HUMPHREY. He is a good man, by the way.

Mr. BULLOCK. Yes, he is, and he reacted very favorably.

Chairman HUMPHREY. He's the best thing that has come around that government for a long time.

Mr. BULLOCK. Yes.

Chairman HUMPHREY. I hope he stays. I hope he doesn't get angry or disappointed and leaves.

Mr. BULLOCK. Yes; well, that is what I am saying. I hope he stays, simply on the account that I think that he is very, very sympathetic to the kind of approach that I was talking about and expressed it at this particular time.

Chairman HUMPHREY. What you have done for me, Mr. Bullock, is to point out the complexity of the problem and the necessity of a

very sophisticated approach to it. It is not easy. Nothing here is very simplified, but when you indicated about this, getting some kind of a work, if not so much experience, but glimpse at the junior high school age. That is so basic and so fundamental, and I believe, also, the point where a young person enters the labor force and what kind of treatment happens at that particular point is so important.

And when you have gone to about five or six or seven or eight so-called job looks, looking for work and been rejected, each place, it then becomes quite obvious, doesn't it, that there is only one other place to go: Hit the street.

You know, that's just about what is happening.

Mr. BULLOCK. Well, Senator, that is one of the points actually that I make in my general statement, and I have written about this and talked about this in other contexts, and that is that there is a kind of economy going on all the time out there on the streets.

Chairman HUMPHREY. They called it, in Atlanta, the shadow economy.

Mr. BULLOCK. Yes; or I call it the street economy, or I call it the subeconomy, too. It is there, and it can easily engage a youngster very early in his teens. Sometimes, unfortunately, even earlier, and this is a very real alternative that he sees every day, to the kinds of nonwork that he is offered, and I'm afraid, too often, we forget that the only way to deal, really, with that kind of function in the street economy is to provide some real alternatives to it.

There is no possible way that we can deal effectively with the question of crime anywhere in this country for young people, unless we do something concrete about the problem of employment. It has got to be meaningful.

Chairman HUMPHREY. What bothers me is not only the crime factor, but the attitudinal factor.

Mr. BULLOCK. Yes.

Chairman HUMPHREY. And when you get a negative attitude here, they may keep out of crime, or at least not be apprehended. It may be such minor crime that you don't get excited about it, but there is a negativism and there is a frustration. There is a kind of growing bitterness or it really becomes both personal and public neglect after a while. The individual just sort of is turned off, and it is a pitiful thing, as I think about it, that the societies which are providing full employment for their youngsters, in particular, are regrettably nondemocratic societies.

However, I must say that when you go to the European countries, when they get a level of unemployment that gets 4 percent, they become panicky.

Mr. BULLOCK. Yes; absolutely.

Chairman HUMPHREY. France, in the major depression—

Mr. BULLOCK. Or even less than 4 percent.

Chairman HUMPHREY. In the depression, the Great Depression, France didn't have 5-percent unemployment. They had a much more decentralized economy, and when they got up to 4 and 5 percent, like in France now, or they get up to 5 percent in Sweden or 5 percent in Germany, they really feel that the world is coming apart.

We have conditioned ourselves to high unemployment. We really have. I think it is because it is sort of like we are a waste society. As

long as we had a lot of forests, why, we just plundered the forests. As long as you had a lot of food, waste food. As long as you had a lot of energy, waste energy. As long as you have a lot of prosperity, waste a few people, and I regret that is really what is most—it's not just public officials. I think it is kind of an attitude, and I sense all the time now, I hear people say to me when we are coming up with Gus Hawkins and myself on employment bills. They say, "Well, don't you know the problem is inflation, Humphrey. What are you talking about, employment?"

And I have been at big meetings where this is a question and answer period. I was at one up in Duluth, Minn., not long ago and some fellow got up and asked that, about this concern over unemployment and I said, "Well, now, let me ask you a question. If you were one of the unemployed, how would you like it?" Because the man that asked me did not have any possibility of unemployment. Well, he said, "That is not going to happen." Well, I said, "That is not the question. I want you to put yourself in the other man's shoes."

It is very hard to get anybody to put themselves in the other man's shoes. Of course, it is my judgment that, if this keeps on, we will just have to build more jails, we will be building more institutions, we will be having to figure out more little gimmicks to kind of satisfy people.

I call it the American social ethic of the checkbook methodology. Just write out a check, pay them off, so they won't cause any trouble.

Mr. BULLOCK. Pacifiers.

Chairman HUMPHREY. And we have been going through this. We have been doing it internationally for a long time. Now, we have done it domestically.

Mayor DAVIS. Senator Humphrey?

Chairman HUMPHREY. Yes, Doris.

Mayor DAVIS. May I just mention, you have highlighted several things that I think we have never, in this democracy, really become genuinely concerned about unemployment. It doesn't become a problem until it hits the middle income community.

Chairman HUMPHREY. Right.

Mayor DAVIS. Drug abuse was not a problem, as long as it was in the inner city. But when it went into the suburbs and became widespread, it became a problem that we addressed legislation.

The same thing seems to be true consistently. We have seen juvenile crime. We have been crying for years about juvenile crime, but when it goes into the little suburb out there, everyone begins to understand what juvenile crime is, and I think unemployment, no one has dealt with the fact that we have had these levels of hardcore continuous unemployment that you pointed out, where the family has no models of employment, where there are three and four generations on welfare and public assistance, and now, we address legislation for 36-week unemployment, and until this country becomes very sincere and our legislature becomes very sincere about really addressing the problem of full employment as a national priority, that all the hearings that we have here and all the legislation that we devise, is not going to have any meaning at all, unless we are sincere.

Chairman HUMPHREY. What worries me is that we are going to most likely get what we call economic recovery, and by that I mean we will have gross national product up. We may have some subsid-

ence, hopefully, of the inflation rate, which surely will be a godsend. We will get production up and personal incomes up, and we will then say we have recovery.

For most of my friends and for the people I know well, it will be recovery, but every time we get these recessions and these dips and then get the recovery, there is always a little higher layer of residue of people left out. That is the pattern and it just keeps building up, building up, and each, then, for a period of 3 or 4 years, all the media, all the public officials, everybody with the exception of some people they start to call radicals, all of them come around and say, "Well, you know, we have to take a look at the realities of what you call a full employment economy."

It used to be when we talked full employment it was 2 percent. Then we got it up to 3 percent. Then, of course, we had to get it up to 4 percent. Now, we are talking about can we get it down to 6 percent, and I predict that, if we just keep it up for another decade or two, we will have it up to where, if we are at 8-percent unemployment, they will say, "You are doing pretty good."

Because, basically, the whole economy will be producing at large rates of goods and services and high incomes for huge numbers of people. I think unemployment is the real moral test, may I say, Mayor Davis, of the economy.

What we do about unemployment, because unemployment, while it has indirect effects upon everybody, adversely, it has devastating effects upon the immediate victim. When 90 percent of the people seem to be kind of getting along, at least they think they are, and 10 percent of the people out here are really in serious trouble, if you can feel that the 10 percent isn't sufficiently significant so that you have to be bothered, then you really have become an immoral society. Not only a society in economic difficulty, but an immoral society.

I want to say that the most difficult assignment that I have as a politician is to convince people that unemployment is really a serious problem. They say people don't want to work. They say that to overcome it is too costly, and we have all kinds of things that somebody said here a moment ago. They call them "welfare cheats," and, of course, there are some who cheat. There are bank clerks that cheat, politicians that cheat. I wouldn't be a bit surprised if a preacher or two may have cheated. School kids that cheat in school and parents that cheat.

But, you know, the answer to it is, if you get at it like my friend, Congressman Hawkins here, and I am so proud of what he has done in this. They keep telling us, "Well, it costs so much." It costs so much.

I am prepared to say that we will take the money that we are spending now to alleviate the current suffering, the immediate, the lack of food and shelter. That is what unemployment compensation provides for. We provide for some food. We provide for some shelter. We provide for some income supplement.

If we could take that and bunch it together and come up with a sensible, real employment program, getting at the very thing that you are talking about, looking down the road, getting work experience, work discipline, work orientation, we would be saving money. We would be saving hundreds of millions of dollars, if not billions of dollars.

I was in Lawndale in Chicago when I was vice president and saw these training centers. I have never forgotten this experience. I could not believe that young men and women did not know even how to punch a timeclock. I could not believe that they did not understand that, when they have a job, they have to get up at 7 or 8 o'clock and get there. I couldn't believe that they didn't even know how to take care of themselves in terms of personal hygiene. It was hard to believe that they didn't even know how to board a public transportation system to get to their job, and, yet, it is a fact. It is a fact.

We used to have church groups—I was doing a lot of this you never heard much about. All you ever heard about was Vietnam—but some of the things that we were trying to do were rather important. We would organize search teams. We would go out and finally convince a gang leader that he ought to come aboard with the system. Then he knew where to find the youngsters that needed to be brought into the program. Otherwise, we would be hiring some nice fellow from the, you know, the local Christian Endeavor Society that was out there trying to find these people that they call rascals. They didn't even know where they were, much less be able to identify them.

So, we had to go get the original rascals to find the rascals.
MAYOR DAVIS. Right.

CHAIRMAN HUMPHREY. And, as you said, some of these gang leaders were very clever. They were as cunning as a fox, the kind that hadn't gotten their minds too overencumbered with too much education, and they were ready to get things done.

It was incredible. I learned so much from it. I, frankly, tell you I was frightened at first, but I went into every one of these areas, in Huff, in Lawndale, in Harlem, out here in Watts, too, by the way, and I walked in those streets and I spent days at these centers. I have never let it slip my mind what I saw, but it is all closed up. We are not doing that now.

MAYOR DAVIS. May I submit what happened to me when I first took office in 1973 with creative programs in the Department of Labor? We had a gang problem situation with two very strong major rivaling gangs, and I devised a program—if you remember—

MR. BULLOCK. CRIPS.

MAYOR DAVIS. CRIPS. And we asked that we hire on our summer youth program for which we didn't have any funds at all just the long-term gang—those that had long records.

We ran into some problems, because we had a problem of weeds, weeds grown over fill lots, that we wanted to put them on pulling weeds, and the Department of Labor—according to all the guidelines, it wasn't—What is it?—career—

CHAIRMAN HUMPHREY. Oriented.

MAYOR DAVIS. It wasn't career oriented. It had just put 273 gang kids to work pulling weeds who didn't have any future in the labor—any sense of value—but, nevertheless, because of some manipulating that we did with the help of Mayor Bradley, and I won't put all this on the record of how we got it, we were able to get the money and to hire 273 of these young men. They went to work and started pulling weeds about July 19. For the first 6 days that we had this program operating, we didn't have one single purse snatching in the entire city

of Compton for 6 days. The seventh day I don't know what happened, but they were too tired.

They had never gotten up and gone out and really been out working on an 8-hour job. We had an intensive orientation program for them to keep them from fighting—well, little things. When kids haven't worked—you know, lunchtime; they just walk across to the liquor store and take what they want off the shelf, you know. It is a whole different world.

Nevertheless, getting there and seeing these kids rushing with their little red jackets and getting down by 7 o'clock and pulling weeds in the hot sun—that particular year we found out—last year—from LEAA that they had targeted our city as one that was prone to riotous conditions, and it didn't happen. We think that, possibly, this might have contributed, because you have identified—we know who the gangs are. We know them by name. Our officers know them. Everybody knows everybody in a small town. You know, you arrest them repeatedly in and out with the juvenile laws.

Chairman HUMPHREY. You are well acquainted.

Mayor DAVIS. Yes; by first names, family, know where to find them, homes, where they hang out, everything.

Chairman HUMPHREY. I used to go visit all the folks in the city jail when I was the mayor of Minneapolis every Saturday night. There were a lot of old people up there that I knew, young and old, that I just got to be real friendly with. I would take them up candy bars and cigarettes and things like that.

It was a lousy jail that we had in the first place. Just to even put them in for a day was cruel and inhuman treatment, but—just like you say, my city was a little larger and all, but I got to know pretty well who was in jail. These were crime repeaters. These were not manslaughter cases, and so on, they were rip-offs. Oh, you would have had fun, I tell you, if you had been around then.

Mayor DAVIS. But there is no latitude in today's world. At least you had a father that had—the small industry or the small family owned business. Where do you have it? You don't have passthrough from these major subcontractors to the smaller. How do you insure that there is a guaranteed distribution right on the things that we control so that it is more equitable? That is all we are asking. How can you assure that these things, in fact, the SBA and all these programs, really insure getting some jobs out here in the street?

Chairman HUMPHREY. John, before you go, may I say, I received a telegram from Harold G. Yee, who, by the way, was stricken with the flu and couldn't make it today, and, also, for the record, this news clipping from today's Los Angeles Herald Examiner.

"City Job Opening Draws 400 and Riot," I don't know whether it was a riot. It doesn't seem to indicate that, but there would seem to be a little bit of fussing around down there about who was going to get the job. This is the one that the mayor talked about today.

It was a single job opening for an assistant elevator mechanic. Before the nine officers could dispose the crowd there were shattered windows and one cut leg and a pile of applications on the desk of the recruitment chief, Robert Gandy. Persons began arriving at the city employment office as early as 3:30 a.m., police said. By 7 a.m., the lobby was jammed and the overflow trailed out the front door. When the

office opened at 8 a.m., applicant Robert Arnold, 32, was shoved against the glass pane on the open door, et cetera.

A very interesting story for people who, quote, unquote, don't want to work.

[The article referred to follows:]

[From the Los Angeles Herald Examiner, Monday, Jan. 12, 1976]

CITY JOB OPENING DRAWS 400 AND RIOT

Police today were called to restore order at City Hall South after a mob of 400 persons showed up to apply for a single job opening as a \$864-a-month assistant elevator mechanic.

Before the nine officers could disperse the crowd, there was one shattered window, one cut leg and a pile of applications on the desk of recruitment chief Robert Gandy.

Persons began arriving at the city employment office as early as 3:30 a.m., police said. By 7 a.m. the lobby was jammed and the overflow trailed out the front door.

When the office opened at 8 a.m., applicant Robert Arnold, 32, was shoved against the glass pane on the office door, which shattered, Arnold was treated for a cut leg at California Hospital and released.

Only the first 100 applications would be considered, said Gandy, even though all applications were accepted.

"It was like a mob out there," said applicant Larry Boone.

"When you're out of work, you get desperate."

Mr. BULLOCK. May I just say that, at UCLA, when there is an announcement of a job opening of almost any kind, the applications are a hundred times, a thousand times—that may be a little exaggeration—200 or 300 people will apply for one job opening.

Mayor DAVIS. Senator Humphrey, we missed that tax incentive investment credit suggestion, but, in your consideration, has it been mentioned that these should be applied to the hard core, long term unemployed? We are not just looking and picking the cream of the crop?

Representative ROUSSELOT. Mr. Bullock mentioned that in his formal statement.

Mr. BULLOCK. Yes, I did. That is to say that I think that there is a perfectly legitimate case to be made for granting private employers a direct employment credit.

Chairman HUMPHREY. I am for that very strongly.

Mr. BULLOCK. I think it should be appropriately monitored. I think the monitoring should consist of, as I say in the paper, representatives of the schools, the employers and the unions. With that presumption—I think that is a much better way to handle it than the investment tax credit, because the investment tax credit does not guarantee in any way that those jobs are going to the people who are really in need, if there are jobs created, and that could be a labor saving situation where you have a diminution in total jobs.

So, I think you ought to give credits, but only credits where there is an actual increase in employment for the people who need it the most.

Representative ROUSSELOT. Sir, I will just say I appreciate the testimony of these two people who have been very good. Mayor Davis I have seen before on some housing problems, and I am sure the Federal Government is still the biggest slum landlord in your area.

Mayor DAVIS. Yes.

Representative ROUSSELOT. But I want to thank them both for their ideas, and I think, Mr. Bullock, I would like to come back and ask you a couple of questions on this, but, Mayor Davis, in the multifamily dwellings that are presently owned by HUD, secretary-owned dwellings, still boarded up, et cetera, it costs the Federal Government today \$10 a day just to keep them boarded up, alarms on them, and all those kinds of things, as you know.

I think Mayor Davis suggested, as other mayors have in other areas, that they have their community development agency or somebody take the ownership of those over, at least on an increment basis. Has the Secretary responded to that? I know Gus Hawkins, myself and many others have leaned on him to try to—Pomona took back, I think, 50 homes and had them back in the stream of things. They plowed three or four of them under and made a park and then they went out and refurbished some of them. They got them for \$1 apiece or something, and then they agreed to put some money into them to fix them up and get people in them.

Has anything like that happened in your area?

Mayor DAVIS. Yes. We have 200 of the homes that we mentioned that are—well, we have not gotten the 200, but we have an indication from the area office that there will be 200 made available—

Representative ROUSSELOT. Out of the what? Some 1,000 that there are?

Mayor DAVIS [continuing]. Yes; that is correct. We have now—

Representative ROUSSELOT. Imagine that. One thousand in her town. She is willing to take them over; take the responsibility. Her police department—

Mayor DAVIS [continuing]. We would take all of them, in fact. We would more than—

Representative ROUSSELOT [continuing]. And refurbish them. They will put the money in it. We can't get HUD to move on this. Now, maybe if you put a little muscle on this to Senator Proxmire—

Chairman HUMPHREY. I join you, John.

Mayor DAVIS. I think that is a very realistic—

Representative ROUSSELOT. Really, it is a realistic program.

Chairman HUMPHREY. Well, it is true all over the country, what you are talking about.

Mr. BULLOCK. When John Rousselot and Gus Hawkins can join up on something it is a momentous occasion.

[Laughter.]

Representative ROUSSELOT. Well, now you are willing to take all of these over. You have a community development agency that will oversee the—

Mayor DAVIS. We have a community development corporation that would oversee these, because the private industry will come in, but we have to have—if we haven't controlled them, we won't be assured that these homes won't come back on the market, because they are being done in a slipshod way. They are being hastily refurbished. Before the family can get in, they find that they have major repairs that have not—

Representative ROUSSELOT [continuing]. They have to have plumbing and other things.

Mayor DAVIS [continuing]. That were not addressed in these programs. So, this is why we have tried to work through with this suggestion, but it has never really been taken, because—

Representative ROUSSELOT. Well, let us see if we can't get you those thousand units, maybe in a couple of increments—

Chairman HUMPHREY. I think what we should do, in this instance—I believe on particulars. I always say, for example, all the generalities don't mean that much—why don't we. Congressman Hawkins and Congressman Rousselot, ask the members of this committee to join with us, since we have heard the testimony, to send a special request to the Secretary, also to bring it to the attention of Mr. Lind in the Budget Office.

Mayor DAVIS. Excellent.

Chairman HUMPHREY. I will bet you this is one thing the President has not heard about. I know that, if we get to him, he would most likely bump their heads and tell them something had to be done.

Representative ROUSSELOT. Yes. That is what I mean. It has been done in other areas on a smaller basis, but here is a mayor who is willing to take the responsibility. The police department is willing to take responsibility to make sure they aren't gutted when they are being repaired. You have young people who could paint and work.

Mayor DAVIS. We could even appoint people, veterans in the security force that would put our own security right there on the properties which would be local employment that we could create. There are all kinds of things. We can use the young people in training programs, begin them in the trade skills. We have made all kinds of proposals on how to go about—

Representative ROUSSELOT. And, if the person who goes into it helped paint it or work on it a little bit, they have a little more pride in the thing.

Representative HAWKINS. May I, Senator, say for the record, pertaining to John Rousselot, because I think that it was he who brought this matter to my attention as a result of surveys in your district, in particular, which means that it was an interest not in his own district, but in a district far distant from his.

Mayor DAVIS. Yes.

Representative HAWKINS. Now, I have enjoyed the work and the cooperation that we have had in connection with this, and I think that this is really something tangible and it comes late in the day, but, certainly, it is one of the most tangible things that we could direct attention to.

Representative ROUSSELOT. And it can be done now, because the Secretary—both Lind, who was there before, and Mrs. Hill say they want to get these back into hands where they will use them instead of just letting them go downhill, and I—

Mayor DAVIS. Well, use us as an example. May I say this is the first committee from whom I have gotten this kind of tangible support immediately—we have testified, I won't name them, but we have testified on rehab housing and before a couple of other Senate hearing committees, and I am just thrilled. I really am. I appreciate that very much.

Representative ROUSSELOT [continuing]. Thank you, mayor, for your willingness to keep after it and be persistent. I know it has been a long fight, too.

Mayor DAVIS. It has.

Representative ROUSSELOT. It is not always easy to get people to pay attention, and the bureaucracy gets kind of huge to go through.

Mr. Bullock, I was really impressed by the detail you have given to this whole concept of proposed career orientation and internship programs.

Now, I think it would be easy to expand upon this, and I really appreciate your thought of starting at the junior high level to get the young people in the habit of thinking, as the Senator said, about part-time work and the experience of working in different atmospheres.

We do this every summer. Though there is not a lot of them, we have an internship program in Washington, and kids will come from anywhere for \$75 a week, just to work for the experience.

I think that your concept that you have developed here, the Senator is, of course, very enthusiastic about it, but I think you have detailed it very well.

Chairman HUMPHREY. I should say so.

Representative ROUSSELOT. And it has a lot of practical long-range value where you might not see the positive results at once, but, if you can catch a young person at the junior high school level or the high school level where there is a little more enthusiasm and they, as you say, get the habit during the summer of getting up at 7 a.m. or 8 a.m. and going to a regular job and getting the idea that it can be worthwhile and fulfilling and they can see some end results, I think it is a tremendous idea and I hope we can work with Mr. Bullock in developing, maybe, a pilot program here in the area and see how it works with some junior high school students in the areas where, as he says, the parents maybe don't have the kind of jobs where they can take the kid down and put him in the pharmacy or whatever it is.

Chairman HUMPHREY. This is what I wish that our committee could recommend, just like you are saying, Congressman, not the whole world at once. You can't always do that, but, if we could test it out and come up with a program and give it a real run—Mayor Davis, don't grab it all, now.

[Laughter.]

Mr. BULLOCK. Let me just say something that I think Compton would be an excellent place, too.

Mayor DAVIS. Why not?

Representative HAWKINS. Well, I may disagree a little bit on that, but, since Mayor Davis is such a dear friend, I would be very willing that the project be in her district, and may I submit that graciously to you.

Mayor DAVIS. Thank you.

Mr. BULLOCK. Let me just say that I am now working with some people in the Los Angeles City School District on this very thing to get it down—

Representative ROUSSELOT. At the junior high level?

Mr. BULLOCK [continuing]. At the junior high and the high school level. I want to add that this hasn't reached the board of education level, yet, so I don't want to get quoted as saying this is a school policy yet, but we are working with it.

We are selecting four high schools throughout the greater Los Angeles area, each in low income areas, and two feeder junior high schools for each one of those high schools. They are actually to the point of costing out.

Chairman HUMPHREY. We would like to get your information when and if that is available.

Mr. BULLOCK. I would love to give it to you.

Chairman HUMPHREY. I hope you will follow up with us. We will keep—

Representative ROUSSELOT. Now, how do we answer the complaint—you know, we get used to all these—every time we get an idea like this, somebody always thinks of all the reasons why it won't go, as the Senator says.

Now, how do you answer the question about preventing exploitation of young people? I don't think it is a problem, but you tell us how.

Mr. BULLOCK. Well, I have discussed that in part, as you may have noticed in my statement there. I think that what we have to do is to have a locally based monitoring system that functions within guidelines that come down from—

Representative ROUSSELOT. With both industry and commerce and school people.

Mr. BULLOCK. For example, if you have organized labor well represented on this, they have a legitimate and very healthy interest in making sure that there is no substitution, let us say, of relatively low-paid interns for adult workers at regular scales.

The other thing that I said in my proposal was I think that where you do develop jobs that it is far better to develop them at whatever the prevailing wage is. It may be a trainee prevailing wage. Then, if the employer, wherever he may be, meets those standards, I think he should be entitled to an employment tax credit. I think that is far better than confronting the opposition of the unions which I think is quite legitimate and fear this could be misused.

Representative ROUSSELOT. Well, we have seen how our illegal aliens have been misused here, and so that is why I raised the question, because we are in the middle of that right now.

So, your concept is that each community would have some sort of a monitoring device of people from industry, business, labor unions, schools—

Mr. BULLOCK. We could leave a lot of latitude to the local communities on the details of the plan.

Chairman HUMPHREY. I do, too.

Mr. BULLOCK. With the understanding, however, that there must be a monitoring, an evaluation mechanism that represents the various groups that are affected, and the evaluation should be done by people who are, obviously, unconnected with—

Representative ROUSSELOT. With the specific job.

Mr. BULLOCK. With the specific jobs.

Representative ROUSSELOT. I think this sounds like it has a lot of merit.

Chairman HUMPHREY. That is very helpful, and we will want you to give us the pricing—how you price it out and any other details. Really, I would like to see us follow up on this. I am kind of weary of just holding general information sessions. I like to get something done.

Mr. BULLOCK. I am glad to hear that.

Chairman HUMPHREY. Mr. Hawkins.

Representative HAWKINS. I have nothing except commendation for the witnesses. I think they have been both patient to remain all day and very excellent in their presentation. It is no surprise to me, because they have been very helpful to me and to the various communities that they represent.

Representative ROUSSELOT. Senator Javits has had a project going in the city of Jamestown, N.Y., relating to this kind of community self-help type of thing, and I would like to have the staff prepare the results of that for the committee.

Chairman HUMPHREY. All right. Well, you have a memorandum that you can give to them.

Mayor DAVIS. We would like to forward, to the committee, a copy of the Los Angeles County Human Service Delivery System, which we are trying to interrelate all of the various components in manpower so that it is comprehensive and includes service and developing in the outreach of the CETA employment into areas that are not easily accessible, such as into the valley, up in the Saugus area, where you don't have manpower operators and, yet, you have critical needs, although they are proportionately less than they are in the center.

Representative ROUSSELOT. Is this a county sponsored program?

Mayor DAVIS. This is the Los Angeles County Human Service Delivery System, and we believe this could be a model for the entire Nation.

Representative ROUSSELOT. Senator, I have one additional thing. In my own area, we have been carrying on a community react program. It is a reemployment effort. We started it during the aerospace thing.

Chairman HUMPHREY. Very good. We are trying to build more information on employment policies and manpower policies.

All right. If there is nothing further, we will adjourn this hearing and express our thanks to all those who have been participants.

[Whereupon, at 6:05 p.m., the committee adjourned, subject to the call of the Chair.]

