THE UNEMPLOYMENT PROBLEM

727

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

NINETY-FOURTH CONGRESS

FIRST SESSION

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CONTENTS

WITNESSES AND STATEMENTS

WEDNESDAY, MARCH 19, 1975

SUBMISSIONS FOR THE RECORD

WEDNESDAY, MARCH 19, 1975

APPENDIX

THE UNEMPLOYMENT PROBLEM

WEDNESDAY, MARCH 19, 1975

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

The committee met, pursuant to notice, at 10:35 a.m., in room 2203, Rayburn House Office Building, Hon. Hubert H. Humphrey (chairman of the committee) presiding.

Present: Senator Humphrey; and Representatives Bolling, Moorhead, Long, Brown of Michigan, and Rousselot.

Also present: John R. Stark, executive director; Richard F. Kaufman, general counsel; William A. Cox, Lucy A. Falcone, Robert D. Hamrin, Jerry J. Jasinowski, L. Douglas Lee, Loughlin F. McHugh, Carl V. Sears, and Courtenay M. Slater, professional staff members; Michael J. Runde, administrative assistant; Leslie J. Bander, minority economist; and George D. Krumbhaar, Jr., minority counsel.

OPENING STATEMENT OF CHAIRMAN HUMPHREY

Representative MOORHEAD [presiding]. The Joint Economic Committee will please come to order.

Before I make the opening statement, I want to say in behalf of Senator Humphrey, the chairman of the committee, that he very much wanted to be here and may yet be here, but he is involved in an agricultural markup bill and also the Foreign Aid Act. Congressman Bolling also wanted me to express his regrets that a conflict requiring his attendance at the Rules Committee prevented his being here.

They regret this because today's hearing has been called to focus on the issue that I certainly regard as this Nation's No. 1 problem, unemployment.

I am very pleased that we have these distinguished top labor leaders with us today to give their views on what can be done to alleviate the hardships caused by unemployment, and, most importantly, how unemployment can be reduced in the coming months and years.

Everyone is quite familiar with the unemployment statistics, so I will not go into great detail on them. I do want to make it clear, however, that this committee can take no comfort whatsoever in the fact that the unemployment rate remained at 8.2 percent in February. We have been pointing out for quite some time now that discouraged workers should be included as part of a true unemployment picture. I am happy to note that this idea is being accepted by many others, particularly in light of the February decline in the labor force of some 580,000 people.

Surely, a vast number of these dropouts simply felt that a job was not available to them at this time. Adding these discouraged workers, who, by now, certainly, total over 1 million, still does not fully depict the sorry state of our labor market. We must also consider the nearly 2 million part-time employed who desire full-time employment.

In reality we are really talking about well over 10 million Americans who are either totally unemployed or underemployed. Even if one deals with just the official statistics, the picture this year is frightening. These statistics indicate that over the course of this year over 20 million Americans will experience some unemployment. Counting dependents, the lives of 40 to 50 million American people, nearly one-fourth of our population, will experience the anxiety and deprivations of this recession in a very direct manner.

Surely, the cost of unemployed cannot be accurately portrayed in statistics or in terms of some tradeoff against price increases. It goes much deeper than that. When you are working, you are producing and you are self-sufficient; when you are laid off, the cost of the recent unemployment, you do not only lose a job and a secure income, you are being told that you are not needed. This violates the promise of America, a promise inbedded in the law of the land, the Employment Act of 1946.

The Joint Economic Committee, which was created by that act to insure maximum employment pledges to do everything responsible to fulfill that promise for our citizens. I am sure that the witnesses today share these sentiments. So one question we will want to consider is how do we influence the economy so that it will be firmly on the road to full employment.

By the way, I, for one, still define that as the 4-percent level as a maximum and certainly not 5 percent, as the administration would like us to. If Germany can hold its unemployment to 1 or 2 percent, we certainly should never agree that 5 percent is the best we can do for our people.

I also wish to pursue the question, how do we keep our labor markets operating at around 4-percent unemployment? The economy is bouncing and gyrating way too much in the past few years. We need to operate at what I have called a cruising speed of healthy sustainable economic growth. We have three extremely able people before us today to advise us on these and other questions. They are Mr. Glenn Watts, president of the Communications Workers of America; Mr. George Hardy, president of the Service Employees International Union; and Mr. Robert Georgine, president of the Building and Construction Trades Department, AFL–CIO.

I should note that Mr. Georgine has notified the committee that he will be slightly delayed.

Mr. Watts and Mr. Hardy, I look forward to hearing from you at this time. Will both of you come forward, please.

Mr. Watts, we will call on you first.

STATEMENT OF GLENN E. WATTS, PRESIDENT, COMMUNICATIONS WORKERS OF AMERICA

Mr. Watts. Mr. Chairman, I am Glenn Watts, and as you already have indicated, president of the Communications Workers of America, which, incidentally, represents in excess of 600,000 working people in the process of collective bargaining.

First of all, I would like to commend you and the committee and the chairman of the committee for holding these hearings. The joint committee is, in this way, effectively continuing its congressional oversight role with reference to the administration's economic policies.

I am here basically to tell you today that America's working people are among the principal victims of the shameful mismanagement that for 75 months now has marked the current and the former administration in classic fashion. The recession in which we are presently mired and which has developed during this period has rapidly worked its way through our economy like a corrosive acid, not only afflicting the helplessly poor but also disrupting the lives of our Nation's working people.

What worries us most today is that it is only at this late hour that the administration is beginning to show signs that it intends to modify the economic philosophy of the previous administration, a philosophy which places balanced budgets before people, an intolerable mixup in our national priorities.

We now have new advisers such as the new head of the Council of Economic Advisers and his colleagues, but they are giving the same callous advice offered by those who came before them. We are simply, in effect, having new wine poured into old bottles.

Because of the current administration's inability to give the leadership necessary for modern economic thinking, the Communications Workers of America and the American people must look to Congress to formulate an effective economic policy. Along this line, I would like to thank both the Senate and the House of Representatives for so decisively rejecting President Ford's proposed increase in the price of food stamps to the poor last month.

I know that one of the areas that you are especially interested in exploring today is this whole question of unemployment. Let me tell you that we draw no comfort from the latest Government statistics showing that the unemployment rate remained steady in February after having climbed at the most rapid pace of the entire post-World War II period between August and January. We strongly believe that the 8.2-percent official jobless figure fails to reflect the true state of the Nation's catastrophic unemployment problem.

Nearly 600,000 discouraged workers, as you have already indicated, are not counted by the Department of Labor as unemployed, and they have totally dropped out of the labor force between January and February, giving up their quest for jobs because employment was not available. These dropouts from the labor force are probably now drifting into the backwaters of American society.

Moreover, in compiling its monthly figures, the Labor Department counts as employed 3.7 million wage earners who are working only part-time, due to the current economic crisis. Thus, a wage earner who has worked for as little as 1 hour in the survey week that the Labor Department uses is still counted by the Bureau of Labor Statistics as employed, even though he may have actually received as little as $2 in earnings during that week.

If you add the officially unemployed, the discouraged workers and the underemployed, you get nearly 13 million American workers who are enduring the most serious kind of job and earnings problems. This is approximately 13.7 percent of the labor force, or more than one out of every eight American workers.

Mr. Chairman, unemployment is not a statistical problem as such or even a political problem. It is a human problem. Left unchecked, it can uproot a whole society, turning an open democracy into a closed brutal dictatorship.

But in personal terms unemployment is something even worse than that. It is a virulent disease that poisons workers' spirits. It is a venom that dilutes men's souls, transforming them into wretched shells of their former selves. It is a destructive bacillus that must be quickly cured, for, if it persists, it can eat at the taproot of a workers' personality, altering a friend into a Frankenstein, a man into a monster seeking to recapture in some misguided way his lost self-esteem.

I would like to look closer at a few of these unemployed for a moment to try to make this point more graphic.

There is the middle-aged worker in an auto assembly line or a construction project sitting alone in his home, a good father, a pillar of his church or a model citizen, slowly realizing that in a couple of months there will be no money left with which to support his family. No Government statistic can measure the broken dreams and the bitter disappointment that his family and his companions have constantly.

There is, perhaps, the young Vietnam veteran who served his country honorably, crawled through the mud in Southeast Asia, ate rations out of a tin can, saw his friends killed, even learned to die himself and then returned home to be forgotten and relegated to the rear of an unemployment line.

Then there is the black man, the black person in the ghetto wanting to succeed within the American system, ambitious, intelligent and capable, but once again placed on the periphery of society, his or her nose pressed against the glass, wondering if he fits into this country at all.

Now, these sidelined workers, Mr. Chairman, are not cold gray Government statistics. They are walking, breathing American tragedies, and although they may be national embarrassments, the unemployed will not just go away and disappear, much as many of us, politicians included, might like them to.

When you take these cases and multiply them by several million, you get a pretty good idea of what it is really like to be jobless and feel forgotten in America.

Put simply, there is something fundamentally indecent about a man or a woman who wants to work being forced to take a beating from a plentiful society that he meant no harm and in which he only wants to participate. The gray Government figures may measure unemployment in a national population as numbers on a piece of paper, but there is no way to keep score of the scars written on the lives of the jobless.

There is no Government statistic that can measure the seething hostility growing in a person's mind, and no Labor Department figure that can convey the feelings of inadequacy that gnaws at a person as he sees his children forced to run around wearing other people's clothes.

The sad fact is that the rampant recession and soaring unemployment are creating a potential powderkeg of social dynamite in our Nation's cities. In the core areas of some of our largest metropolises, the unemployment rate for blacks in certain categories exceeds the rate of joblessness for the overall work force during the depression four decades ago. Among black teenagers, the jobless rate is nearly 40 percent, an explosive situation giving rise to restlessness, rootlessness, and resentment.

And as the 20th century has taught us already, a whole society beset by recession and unemployment can develop the ugliest mass emotions, including the ancient curse of antisemitism as well as other prejudices which thrive on economic disaster.

So what is the solution? What do we do about getting the economy moving again?

The first thing we need to do is to declare all-out war on unemployment with a massive public service jobs program in which the Federal Government steps in and assumes the role of the employer of last resort.

And to this end, I would like to congratulate the chairman of this committee for the sponsorship of Senate bill 50.

Second, in addition to jobs, we need authentic tax reform. For far too long the United States has played the role of Robin Hood in reverse, practicing welfare socialism for the rich through tax loopholes and 1890 robber baron capitalism for the poor through regressive taxes.

We support a tax cut of at least $30 billion by the Congress in 1975. We are thus most pleased that in its recent report to the Senate Budget Committee, the Joint Economic Committee recommended a tax cut in the $30 to $35 billion range for this year.

But in addition to legislating a tax cut, the Congress must take steps to close a series of gaping loopholes that it has opened in the past in favor of big corporations at the expense of the average worker. The time is long past for the Congress to take the rich off welfare and to make them measure up to a tax responsibility that is commensurate with their capability, instead of compelling working people to carry the rich companies on their already overburdened backs.

We are especially hopeful that this Congress will eliminate the foreign tax credit, a loophole which, according to a new Treasury Department report, permitted U.S. multinational oil companies to cut their 1972 income tax bill by almost 77 percent.

While favoring an end to the loopholes at an early date, we feel firmly that the Congress must complete its work on the top priority feature of tax legislation, a tax cut, before it takes another Congressional recess. The American people are becoming more and more tightly strapped. Rapid tax rebate action is imperative. Therefore, there should be no vacation until Congress completes its work on this particular legislation.

And third, in addition to comprehensive jobs legislation and genuine tax equity, we need a coordinated national energy policy aimed at achieving energy self-sufficiency, so that America can increase her domestic supply of oil, natural gas, and other energy resources at reasonable cost to her working people. The Federal Government must become involved in developing petroleum and gas reserves in the United States on public lands and in maintaining strategic reserves. We support this concept as embodied in legislation currently pending before the Congress in Senate bill 701.

60-563—75——2

We also back the creation of a National Energy Production Board to develop and execute an action program to use the manpower and productive capacity which now lie idle because of this recession.

In addition, as part of an effective energy program, we must launch a major national effort to utilize coal for increased energy needs. Our Nation's coal supply constitutes the largest single known fossil fuel reserve in the world. Coal has enormous energy potential for the United States, which we have not fully explored.

We must also investigate the use of other forms of energy which could provide a future source for our Nation's ever-increasing power needs, in order that we will be able to run our factories, farms, offices, homes, and transportation without looking back over our shoulder in fear that we are exhausting an irreplaceable source of energy.

Mr. Chairman, given the current state of the economy, it now appears that next year America will celebrate the 200th anniversary of its birth at a time when millions of its citizens will be standing in unemployment lines. It is appalling at this point in our Nation's history that we should face this tragic waste of human resources and that this should continue to occur.

It is up to the Congress at this juncture in the life of the United States to lead the fight for public service jobs, tax equity, energy independence, and social justice.

CWA believes that the Senate and the House are not chained to the old myths of yesterday's economic game plans, but instead are capable of breaking new ground, seeing modern realities and forging ahead.

If Congress does not exhibit such leadership and if the economy continues to deteriorate, the economic recession of the 1970's may become the spawning ground for political radicalism in the 1980's or sooner.

Looking back, we see that 10 years ago we were beginning to build a "Great Society." Now, as we approach our 200th birthday, we are worried that we may be headed for another Great Depression.

Looking in the other direction, though, to the future, we have now entered the first year of the final decade on the way to 1984. In sharp contrast to that dreaded destiny which George Orwell vividly depicted, we also during the next decade will embark on the third century of the American experience, an epoch unmatched in growth and development of technology and civilization.

Our Nation has arrived at the crossroads not unlike that described by our greatest poet, Robert Frost, in his prophetic work, "The Road Not Taken."

Whether the President, the Congress, labor, business, and the American people can effectively respond to the current economic challenge may well determine if 9 years from now we arrive at the doorstep of the Orwellian nightmare or emerge into the light of our Nation's third century secure in the realization that through our determination today we will have frustrated that dark dream of tomorrow and instead turned toward the American dream of security, justice, and individual fulfillment.

Mr. Chairman, thank you very much.

Representative MOORHEAD. Thank you, Mr. Watts.

I noticed that at several points you skipped over certain paragraphs and, without objection, your entire statement will be made part of the record.

[The prepared statement of Mr. Watts follows:]

PREPARED STATEMENT OF GLENN E. WATTS

Mr. Chairman, my name is Glenn E. Watts and I am President of the Communications Workers of America, an AFL-CIO union which represents more than 600,000 working people in collective bargaining.

First of all, I would like to commend you for holding these hearings. The Joint Committee is in this way effectively continuing its Congressional oversight role with reference to the Administration's economic policies.

Never in its nearly 30-year history of assessing the state of the economy, however, has the Committee confronted as bleak a picture of the national economic landscape as it finds today.

The American people are currently suffering through a period of economic distress that is unparalleled since the Great Depression. Indeed, many of our citizens—the black, the poor, the old, the disabled, the uneducated and the unemployed—are presently reliving the nightmare of that dark era which was the low watermark in our nation's economic history.

I am here today to tell you that America's working people are among the principal victims of the shameful economic mismanagement that for 75 months now has marked the current and the former Administration. In classic fashion, the recession in which we are presently mired and which has developed during this period has rapidly worked its way through our economy like a corrosive acid, not only afflicting the helplessly poor but also disrupting the lives of our nation's working people.

This recession, however, is not the result of an economic accident. It is instead the inevitable consequence of the Administration's natural bias shown in behalf of the profits of big business, an attitude that for too long has measured economic progress within the narrow confines of corporate financial reports. The fallout of that myopic attitude has been disastrous for our wage earners, who have been forced to bear the burden of the various economic "game plans" that have emanated from the White House.

Walled in from the misery of the real world, the economic soothsayers who chart our destiny continue to seek the right "game plan" while workers and their families pay dearly for these experts' repeated miscalculations.

The glaring reality is that since 1971, when wage-and-price controls were first implemented, federal economic mismanagement has consisted of a maze of tortuous twists and turns. The latest initiatives of this Administration comprise the ninth distinct economic policy in just the last four years.

In early 1971, the former Administration was still following its original economic "game plan" of reducing inflation by holding down both federal spending and the growth of the nation's money supply.

Then came the Phase I wage-price freeze of August 1971, followed by Phase II, a system of so-called tight controls, which in turn was succeeded by Phase III, a strategy of so-called loose controls. In June 1973 we had Freeze II, which was chased by Phase IV, consisting of controls that were removed piece by piece until they expired last April 30.

The present Administration then converted to the "oldtime religion" of budget cutting and tight money, followed by the abortive WIN program, which gave way to the current policy, which has not yet acquired a name.

The upshot of all this economic gimmickry, with its theatrical phases and freezes, is clear today. The American people have been phased into a recession which the Administration seems incapable of unfreezing.

Mr. Chairman, almost five years ago, in July 1970, Dr. Arthur Burns, the architect of most of these failing "game plans," came before this same Congressional Committee at a time when the economy was beginning to falter, and he told the Committee that the downturn was nearing the bottom. He sought to soothe the furrowed brow of the average American at that time by predicting that full employment, by which he meant an unemployment rate of four percent—and what a contradiction in terms that is—would soon be restored.

A year later, Dr. Burns, then Chairman of the Federal Reserve Board, again appeared before this Committee, after his prediction had failed to come true, and he then declared there were signs that the economy was heading for a "real recovery."

So here we are today, four years later, and over the long haul things have not gotten better but have become increasingly worse. The American people have been promised that inflation would be cooled and promised that unemployment would decline. Neither of these promises has been fulfilled.

What worries us most today is that it is only at this late hour that the Administration is beginning to show signs that it intends to modify the economic philosophy which places balanced budgets before people, an intolerable mixup in our national priorities. We now have new advisers, such as the new head of the Council of Economic Advisers and his colleagues, but they are giving the same callous advice offered by those who came before them. We are simply, in effect, having new wine poured into old bottles.

Because of the current Administration's inability to give the leadership necessary for modern economic thinking, the Communications Workers of America and the American people must look to Congress to formulate an effective economic policy. Along this line, I want to thank both the Senate and the House of Representatives for so decisively rejecting President Ford's proposed increase in the price of food stamps to the poor last month.

The food stamp proposal was for us a frightening example of the disorientation that marks this Administration's economic thinking and which signals to us clearly that the legislative branch must now play the role of national economic leader. Indeed, it was a tribute to Congress's collective sense of leadership, courage and character when the President backed down and signed into law the bill rolling back his food stamp price increase.

On that food stamp issue, the Administration, in the name of a "balanced budget," would have strangled the poor and the elderly into starvation, throwing them on the discard heap like so much disposable garbage. In effect, to "save" $650 million, the Chief Executive and his White House band of economic elitists sought to reincarnate a policy of 19th century Social Darwinsim, survival of the fittest, at a time when 18 million Americans, nearly 10 percent of the population, are receiving food stamps, and many others are growing less fit and wondering whether they themselves will soon be among the needy.

Mr. Chairman, I know that one of the areas that you want to explore today is the Nation's unemployment picture.

Let me tell you that we draw no comfort from the latest government statistics showing that the unemployment rate remained steady in February after having climbed at the most rapid pace of the entire post-World War II period between August and January. We strongly believe that the 9.2 per cent official jobless figure fails to reflect the true state of the nation's catastrophic unemployment picture. Nearly 600,000 discouraged workers who are not counted by the Department of Labor as unemployed totally dropped out of the labor force between January and February, giving up their quest for jobs because employment was not available. These dropouts from the labor force are probably now drifting into the backwaters of American society.

Moreover, in compiling their monthly figures, the Labor Department counts as "employed" 3.7 million wage earners who are working only parttime due to the current economic crisis. Thus, a wage earner who has worked for as little as one hour in the survey week that the Labor Department uses is still counted by the Bureau of Labor Statistics as employed, even though he may have actually received as little as $2 in earnings during that week.

If you add the officially unemployed, the discouraged workers and the underemployed, you get nearly 13 million American workers who are enduring the most serious kind of job and earning problems. This is approximately 13.7 per cent of the labor force, or more than one out of every eight American workers.

But what I want to do this morning is to remove the lifeless cloak from the cold unemployment figures put out by the Department of Labor and try to lay bare the dehumanizing impact of joblessness on working people.

Unemployment is not a statistical problem or a "political" problem. It is a human problem. Left unchecked, it can uproot a whole society, turning an open democracy into a closed, brutal dictatorship.

But in personal terms unemployment is something even worse than that. It is a virulent disease that poisons workers' spirits. It is a venom that dilutes men's souls, transforming them into wretched shells of their former selves. It is a destructive bacillus that must be quickly cured, for, if it persists, it can eat at the taproot of a worker's personality, altering a friend into a Frankenstein, a man into a monster seeking to recapture in some misguided way his lost self-esteem.

Let us take a closer look at some of the unemployed among us who comprise that eight per cent jobless figure.

There is the middle-aged worker in an auto assembly line or a construction project sitting alone in his home, a good father, a pillar of his church and a model citizen, slowly realizing that in a couple of months there will be no money left with which to support his wife and children. No government statistic can measure the broken dreams and the bitter disappointment that are his constant companions.

There is the young Vietnam veteran who served his country honorably, crawled through the mud in southeast Asia, ate rations out of a tin can, saw his friend killed, learned how to die himself and then returned home to be forgotten and relegated to the rear of an unemployment line.

There is the black man in the ghetto wanting to succeed within the American system, ambitious, intelligent and capable, but once again placed on the periphery of society, his nose pressed against the glass, wondering if he fits into this country at all.

Mr. Chairman, these sidelined workers are not cold gray government statistics. They are walking, breathing American tragedies. And although they may be a national embarrassment, the unemployed will not just go away and disappear, much as some politicisan might like them to.

When you take these cases and multiply them by several million, you'll get a pretty good idea of what it's really like to be jobless and feel forgotten in America.

Put simply, there is something fundamentally indecent about a man or woman who wants to work being forced to take a beating from a plentiful society that he meant no harm and in which he only wants to participate. The gray government figures may measure unemployment in a national population as numbers on a piece of paper, but there is no way to keep score of the scars written on the lives of the jobless.

There is no government statistic that can measure the seething hostility growing in a man's mind, and no Labor Department figure that can convey the feelings of inadequacy that gnaw at a man as he sees his children being forced to run around wearing other people's clothes.

The sad fact is that the rampant recession and soaring unemployment are creating a potential powderkeg of social dynamite in our Nation's cities. In the core areas of some of our largest metropolises, the unemployment rate for blacks in certain categories exceeds the rate of joblessness for the overall work force during the depression 4 decades ago. Among black teenagers, the jobless rate is nearly 40 per cent, an explosive situation giving rise to restlessness, rootlessness and resentment.

And as the 20th century has taught us already, a whole society beset by recession and unemployment can develop the ugliest mass emotions including the ancient curse of anti-Semitism as well as other prejudices which thrive on economic disaster.

So what's the solution? What do we do about getting this economy moving again?

The first thing we need to do is to declare all-out war on unemployment with a massive public service jobs program in which the Federal Government steps in and assumes the role of the employer of last resort.

To that end, I want to congratulate you, Mr. Chairman, for your sponsorship of S. 50, the full employment legislation which you have introduced in the Senate and which Mr. Hawkins has sponsored in the House. This legislation would help make the Full Employment Act of 1946 a reality rather than a shattered hope by mandating all agencies of Government, including the Federal Reserve Board, to take whatever action is needed to assure a job, at decent wages, for every American who is able and willing to work.

The legislation also requires the President to prepare a Full Employment and National Purposes Budget each year. The purpose of this budget would be to design programs capable of reducing unemployment to no more than 3 per cent within 18 months of the first report and lower at a later time.

Second, in addition to jobs, we need authentic tax reform. For far too long, the U.S. Government has played the role of Robin Hood in reverse, practicing welfare socialism for the rich through tax loopholes and 1890 robber baron capitalism for the poor through regressive taxes.

As you know all too well, we are now experiencing the first recession in history in which the tax burden on families and individuals has increased, squeezing workers and their families even tighter during a difficult time.

We support a tax cut of at least $30 billion by the Congress in 1975. We are thus most pleased that in its recent report to the Senate Budget Committee, the Joint Economic Committee recommended a tax cut in the $30–$35 billion range for this year.

In addition to legislating a tax cut, however, the Congress must take steps to close a series of gaping loopholes that it has opened in the past in favor of big corporations at the expense of the average worker. As long as Congress continues to countenance tax evading as the great corporation sport, the most striking feature of the corporation income tax will be its disappearance.

It is utterly inequitable for a worker with a wife and two children who takes the normal deductions to have to pay more taxes from his salary earned by the sweat of his brow than giant corporations pay, although these multinational companies make millions of dollars in profits. Unlike the average worker, who does not shirk his revenue responsibility, these companies avoid paying their fair share of taxes by squirming through a series of special loopholes every April 15.

Last year, for example, ten of the Nation's largest corporations earned almost $1 billion in total profits but paid not a single penny to the Government in taxes, according to a study recently released by Representative Charles Vanik.

According to that same tax report, the aggregate adjusted gross income of 12 of our nation's largest oil companies skyrocketed by 61 per cent in 1973 over 1972, yet their effective tax rate was barely increased from 7.9 per cent to 9.6 per cent, a figure far less than what the average worker pays.

The time is long past for Congress to "take the rich off welfare" and make them measure up to a tax responsibility that is commensurate with their capability instead of compelling working people to carry the rich companies on their already overburdened backs.

We are especially hopeful that this Congress will eliminate the foreign tax credit, a loophole which, according to a new Treasury Department report, permitted U.S. multinational oil companies to cut their 1972 income tax bill by almost 77 per cent. The multinational oil companies have used this loophole like a giant tax eraser, claiming $2.953 billion in foreign tax credits against total 1972 taxes of $3.846 billion and thereby reducing their U.S. taxes to $893 million.

Largely as a result of this loophole, the 19 major U.S. oil companies ended up paying a total of 5.7 per cent of their 1972 income in U.S. income taxes. This is a lower rate of taxes than is paid by a worker and his family making $8,000 a year.

While favoring an end to the loopholes at an early date, CWA firmly believes that Congress must complete its work on the toppriority feature of tax legislation—a tax cut—before it takes another Congressional recess. The American people are becoming more and more tightly strapped. Rapid tax rebate action is imperative. Therefore, there should be no vacations until Congress completes its work on this legislation.

Third, in addition to comprehensive jobs legislation and genuine tax equity, we need a coordinated national energy policy aimed at achieving energy self-sufficiency.

At CWA, our memories are longer than last year's lines at the gas pumps. Although our workers and their families have so far been spared the convulsions of last year when most Americans suffered through a winter of discontent, they are still paying exorbitant prices for homeheating fuels and other energy needs.

Because of the policy of economic aggression practiced by the OPEC cartel, over $50 million leaves this Nation every day of every week of every month. These oil-producing countries have achieved an economic "Pearl Harbor," a victory that they could never have achieved by military means, which is seriously burdening every American citizen.

So that America can increase her domestic supply of oil, natural gas and other energy resources at reasonable cost to her working people, the Federal Government must become involved in developing petroleum and gas reserves in the United States on public lands and in maintaining strategic reserves. We support this concept as embodied in legislation currently pending before the Congress as S. 701, the Consumer Energy Act, introduced by Senators Warren Magnuson (D-Wash.), Adlai Stevenson (D-Ill.) and others.

We also back the creation of a National Energy Production Board to develop and execute an action program to use the manpower and productive capacity which now lie idle because of the recession.

In addition, as part of an effective energy program, we must launch a major national effort to utilize coal for increased energy needs. Our Nation's coal supply constitutes the largest single known fossil fuel reserve in the world. Coal has enormous energy potential for the United States, which we have not fully explored.

We must also investigate the use of other forms of energy which could provide a future source for our Nation's ever-increasing power needs, in order that we will be able to run our factories, farms, offices, homes and transportation without looking back over our shoulders in the fear that we are exhausting an irreplaceable source of energy.

For example, we must continue our research and development in the uses of solar energy. Along this line, we are pleased that Congress took an important first step last year when it enacted useful legislation to further research in this promising area. We also need to conduct more intensive investigations into the development and use of geothermal and nuclear energy, both of which can be vital supplements to our diminishing supplies of oil and gas.

Mr. Chairman, given the current state of the economy, it now appears that next year America will celebrate the 200th anniversary of its birth at a time when millions of its citizens will be standing in unemployment lines. It is appalling that at this point in our Nation's history such a tragic waste of human resources continues to occur.

It is up to the Congress at this juncture in the life of the United States to lead the fight for public service jobs, tax equity, energy independence and social justice. CWA believes that the Senate and the House are not chained to the old myths of yesterday's economic game plans but instead are capable of breaking new ground, seeing modern realities and forging ahead.

If Congress does not exhibit such leadership and if the economy continues to deteriorate, the economic recession of the 1970's may become the spawning ground for political radicalism in the 1980's.

Looking back, we see that 10 years ago we were beginning to build the "Great Society." Now, as we approach our 200th birthday, we are worried that we may be headed into another Great Depression.

Looking in the other direction, to the future, we have now entered the first year of the final decade on the way to 1984. In sharp contrast to that dreaded destiny which George Orwell vividly depicted, we also during the next decade embark on the third century of the American experience, an epoch unmatched in growth and development of technology and civilization.

Our Nation has arrived at the crossroads, not unlike that described by one of our greatest poets, Robert Frost, in his prophetic work "The Road Not Taken."

Whether the President, the Congress, labor, business and the American people can effectively respond to the current economic challenge may well determine if 9 years from now we arrive at the doorstep of the Orwellian nightmare or emerge into the light of our Nation's third century secure in the realization that through our determination today we will have frustrated that dark dream of tomorrow and instead turned toward the American dream of security, justice and individual fulfillment.

Representative MOORHEAD. I would suggest that we proceed now with Mr. George Hardy.

Mr. Hardy, we are delighted to have you with us, and you may proceed, sir.

STATEMENT OF GEORGE HARDY, PRESIDENT, SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO

Mr. HARDY. Congressman Moorhead and Congressman Brown, the earlier statements that you made to this committee was excellent, and I want to compliment you on it. I also want to compliment your staff for having no water.

Representative MOORHEAD. I want to assure you that the desert conditions will be rectified shortly.

Mr. HARDY. My name is George Hardy and I am president of the Service Employees International Union. The Service Employees International Union represents more than a half-million workers in various service occupations. These are the men and women who too often are taken for granted in our economy. They clean the buildings and clerk in the food markets, they empty bed pans, they fill most of the jobs in city hall, they collect our garbage, police our cities, staff our hospitals, and do thousands of unheralded jobs.

Today there are 3 million unemployed service workers. But their loss of jobs usually goes unnoticed.

We have not seen thousands of service workers laid off by one employer as we have in the auto industry. Nor are the unemployment rates at depression levels as they are in the construction industry. But nonetheless, the recession is having a severe impact upon workers in the service sector of our economy. Although technical experts have reveiwed the overall dimensions of unemployment for this committee, they have not highlighted the plight of the service workers.

I am glad to be able to be here today to testify briefly about unemployment. I have read the recommendations which your committee has made to the separate budget committees, and I applaud them; but although your recommendations are widespread and are to be commended, I still am afraid that the Federal Government does not really appreciate the scope of the problem we are now facing in our economy, and the impact that this recession is having in human terms.

I would like to show you a headline from a recent issue of the Los Angeles Times. It reads: "One in four people in San Francisco is on welfare." Now here is the Los Angeles Times. Now when you get a headline like this it is shocking. Just pause for a minute and consider that. In the city of San Francisco, my home town, which I always thought to be one of the most prosperous and civilized cities in the world, 1 out of every 4 citizens has to have public assistance to survive. Believe me, when things get to this stage, Congress has got to stop just making recommendations and start acting.

I am from San Francisco and I would just digress for a moment, and quote from the article: "What this has indicated is that a third of the town is on the skids, so to speak," says Susan Sopola, an executive assistant to Mayor Joseph Alioto. In Washington, meantime, Alioto, president of the U.S. Conference of Mayors, appealed for a special Federal appropriation for the cities. "I was shocked to learn that in San Francisco, which is outwardly affluent, the welfare rolls have gone from 14 percent to 23 percent since 1970," Alioto said. Precisely comparative figures with other California cities were not available.

San Francisco's climbing rolls appear substantially higher than the rest of the State. A spokesman for the State welfare department estimated 2.5 million Californians, or one in 8, were receiving State and Federal welfare assistance as of last December; and in Los Angeles County, with a total population of about 7 million, a spokesman for the public social service Department said 850,000 persons are receiving State welfare.

Now, when you have 1 in 4 on welfare in San Francisco, we have a problem, and it has to be cleared here in Washington. Unfortunately, I am afraid that not only is the Government not taking the needed action, it is often doing things which are counterproductive. Right here in Washington, D.C., for instance, one of our local unions has learned that GSA has decided to reduce its cleaning personnel in the Department of Commerce Building; an attempt to cut down on costs, no doubt, but one that will lay off dozens of cleaners at the same time that the Government is proposing increases in public service jobs. Clearly this type of shortsighted public policy is contrary to everything you have been proposing.

Your committee has heard from spokesmen who represent our major industries. It has heard of the lay-offs in the auto industry and in the construction industries and in other major manufacturing industries. You should be aware, however, that unemployment is spreading to the service industries as well. Our Nation has long since passed from an agricultural economy to an industrial economy, and now to a service economy. We have to recognize that what happens in the service economy will have a very substantial impact on the economy as a whole.

In February, according to Department of Labor statistics, of the 6½ million people who are looking for work because they were laid off, 1.3 million have worked in trade, 1.2 million in the category the Department calls finance and service, and one-half million in government. While the unemployment rates for each of these areas is somewhat below the national average, the numbers of jobless are indeed formidable. This adds up to over 3 million unemployed workers in the service economy, nearly half of all laid-off workers. This is a huge part of what must be seen as a national disaster.

These lay-offs generally do not make headlines because they take place a few here and few there. Except for Government, the service industries are dominated by small employers. The news media does not report 12 window cleaners laid off in Jersey City, or 61 school custodians laid off in Chicago, or 15 physical science technicians at Stanford University, or 400 janitors in St. Louis; but it is these relatively small numbers of workers that accumulate into the millions reported as statistics by the Labor Department.

If I might digress from the written text for a moment, I might report that yesterday I had the privilege to listen to James Cavanaugh, the deputy mayor of the city of New York. In talking about the plight of U.S. cities, he gave us some unemployment and lay-off figures. For example, the city of Lakewood, Ohio has recently fired 50 of its employees. This was 10 percent of the work force. The city of New Britain, Conn., has put half of its civil servants on a 4-day week. Cleveland has laid off 1,000 workers, and as part of the same money effort has closed four fire stations. Jersey City has fired 427 employees including police personnel. City workers in Atlanta are being forced to take a 5-day vacation without pay. Boston is reducing its city personnel by 10 percent through attrition. Chicago is eliminating 600 positions and closing the city-run hospital. Even here in this relatively prosperous area, the city of Washington itself is planning to reduce its work force by 1,000 employees this summer. These are the examples of a few of the kinds of lay-offs which, for the most part, are not reported nationally but which have a tremendous effect on the economy. Not only is this unemployment terribly widespread, but the burden of unemployment affects workers in the low-wage industries much more than workers in manufacturing industries. To a worker trying to support a family on earnings not very far above the minimum wage, the loss of a job is truly a personal disaster.

Remember there are still more than 4 million men and women who earn only the minimum wage of $2.00 or $2.10 an hour. These workers have no large supplementary benefit funds; few of them have savings they can draw upon; and, of course, their unemployment benefits are pegged at the lowest possible levels.

For a worker earning the minimum wage, most State employment programs will provide about $40 a week in benefits. Many part-time workers and those not covered by the program will have benefits substantially lower than this meager amount.

While lay-offs among service workers are a major problem, even more workers are facing reductions in their weekly hours, a serious cutback into their already low wages. Employers would rather cut everyone's hours than to lay several people off. For these workers unemployment insurance is virtually useless, since they cannot collect unless they are earning less than two-thirds their usual wage. In addition, many employers are just not filling jobs caused by normal attrition. This under employment seriously distorts Federal employment statistics and hides the impact of the recession upon these workers.

These are just numbers which hide the real tragedy of this recession. Sometimes I really wonder whether anyone living here in Washington can understand what it is like to be a janitor or a nurse's aide or a city hall clerk making $2 or $3 or $4 an hour and suddenly to be told that after years of loyalty you are no longer needed.

Maybe instead of talking to me today you whould be talking to Ms. Josephine Herrera, nurse's aide at East Los Angeles Hospital who was laid off March. Ms. Herrera has two children, no husband to help support the family and still has not yet received her first unemployment check.

Or maybe you should ask Lily May Brooks, who lives in St. Louis and who was laid off last November. Mrs. Brooks supported 5 children by mopping floors in a building. She has been unable to find work now for 4½ months and is surviving only on Federal benefits.

Or maybe you should ask Bill Macky of New York City. Macky is 54 years of age and supporting three young children on a small unemployment check after being laid off after 6 years' work as a building porter.

Maybe these are the people you should be talking to.

When workers lose their jobs, they lose more than their wages. They lose their health insurance protection; they lose their pensions; they lose their life insurance; but most of all they lose their self respect.

Because computers sometimes foul up, because records are often lost or mislaid, a lay-off may be followed by a long waiting period before the first unemployment check is received. I believe we need emergency food programs established by the government, by the Red Cross, or some other agency, to take care of these double victims of lay-off.

Now I would like to digress just a minute here. I was wondering if any of you saw the CBS program last week on Monday night and saw the waiting lines for unemployment checks. It was indicated that in a number of cities including Detroit and Atlanta, some people have to wait as much as 5 weeks for their checks; and these are unemployment checks. You can imagine what this does to some people.

I can remember during the last depression, in the '30's, when I went down for a WPA job, I was given a bag of groceries from the city relief agency that was wrestling with precisely the same kind of problems; and, of course, we did not have computers in the thirties. I think we need to be conscious of the fact that we need that kind of service today, 40 years later, and I do not believe anybody is doing anything about it. Now, if you are laid off and you are in the poor brackets, certainly you need food to feed your family. You can not humiliate these people any more. You can not go ask them to beg.

Now at least in the city of San Francisco, St. Boniface will feed anybody one free hot meal. But I think in the depression of the '30's, at least in San Francisco, while we were waiting for an assignment from WPA, and the whole town was on relief in those days, they gave you a bag of groceries. I can still remember to this day the bag of groceries I got. I just got one bag. I was a radio operator on a ship. I could not ship out any more; there was no shipping. I went down; I was just married; I was a young fellow; there were no jobs anywhere. This is just what happened to me. But I got this bag of groceries, and it had hominy in it, and I never ate hominy in my life and I did not know what the hell it was, but outside of that I could eat the food. But at least they gave me this bag of groceries.

If there is one message I want to leave with you today it is that these people need action and they need action now. They have heard all the rhetoric, they have listened to Congress debate. What they want now is jobs.

I think that these are times when drastic action is needed and that we should take such drastic action before we let the situation deteriorate to a critical level. We cannot afford to wait any longer.

Now I am a great nut in listening to the TV. I heard Secretary Simon last Saturday; he was estimating the deficit in the budget for all the programs that we are all planning. He estimated it on TV at $100 billion; the "Wall Street Journal" says he estimated it at $80 billion.

Now, I realize that many people are shocked when they hear these kinds of figures, but I personally think the deficit will have to go higher than that, perhaps twice as high. I think the Members of Congress will have to face up to the fact that if we are really going to confront the problem that we face today, and face it with such urgency, they are going to have to go into a huge budget deficit. Actually, we have gone in proportionately as deep in deficit spending before. I think we must confront the present situation as a crisis of almost equal importance. If Congress is going to act at all, it must recognize the fact that somebody has to take the responsibility for telling the American people the price that we must pay.

Now, you talk about $30 billion. I just want to say tax relief is not going to do the job. You are talking now of an $80 billion deficit, it is not going to do the job. When you have 1 in 4 on welfare in San Francisco, and this is a major city, you can go to every city in the country. We had Abraham Beame with us yesterday at this meeting on the cities, and every city is financially, as he said, embarrassed; they just do not have any taxing funds left. They have no money. They are in desperate need. They cannot even sell their bonds.

So the cities and the States, except for a few of them, need to call upon the Federal Government. You are the source of the money; you have the taxing ability. Somebody has to face up to that if you are going to go at it with this program that you have outlined today, it is not going to do the job.

Now, I do not know why somebody does not come up in Congress and just say you are going to have to look at something like $200 billion. That is shocking, but I think you would be glad if it would only cost you $200 billion.

We support the basic antirecession programs recommended by this committee in its report to the Senate and House Budget Committees on March 7. We support the tax cut proposals, the cost-of-living adjustments for Federal income support programs, the improvements in unemployment compensation, the expansion of the emergency public service employment program, and the direct federally administered public service employment program. Likewise, representing thousands of State and local government employees, we strongly support the antirecession grants to State and local governments. We also support the monetary policies recommended by this committee.

While all of these recommendations are commendarle and should be enacted without further ddlay, I strongly feel that they do not attack this problem with the type of drastic action I believe is necessary. I am attaching for the record a list of proposals our International Union has put together, proposals which we feel are necessary to get us out of this recession. In many respects they parallel your own recommendations, but in several instances they go far beyond them.

One of the most important items in our recommendations is something which none of the congressional committees has really touched upon. Specifically it is time that we change the basic pattern of work weeks in this country. It is time for us to reduce the basic work week to 35 hours, without any reduction in weekly earnings. It has been 4 decades now since Congress legislated the 40-hour week. Since then our workforce has increased substantially with people entering the work force who before did not. A 35-hour work week, if required of all large employers, would provide approximately 3 million additional jobs with an added payroll cost of 14 percent. Such an action would add a substantial number of job opportunities for our expanding work force. Along with this reduction in the work week we should likewise amend the overtime provisions in the Fair Labor Standards Act providing for double-time for overtime and prohibiting overtime whenever unemployment exceeds 5 percent.

Only if Congress takes action in these really basic areas can we ever hope to pull this Nation out of the terrible economic crisis that it now faces.

For the past 6 months the American people have stood helplessly by, watching in horror as their jobs have disappeared. They have anxiously awaited some word or deed on the part of the Executive that would set things right; they have now given up that wait.

Today they are looking to you, to the Congress of the United States. The American people want, the American people desperately need, some relief, and they need it immediately. They are counting on you for the help they so desperately need. I hope you will not let us down.

I was an unemployed worker in the thirties and I know the humiliation that an unemployed worker had to go through. I used to listen to them all say well, they are only bums, they do not want to work. Well, I think in every case that we have seen around here, these people want jobs; they do not want welfare; they cannot live on welfare. They cannot exist on unemployment; the unemployment insurance is not enough. We think it should be increased. If you lose your job and you are loyal to an employer and you all of a sudden get your check and you are out on the street, and after 15 or 20 years you are one of those laid off. Just imagine such a worker. I was shocked when I saw Westinghouse saying that they cannot go into the appliance business. They are closing down. That is one of the biggest appliance companies in the country. "You can be sure if it's Westinghouse," as they say. And then you see San Francisco—1 in 4 on welfare. My God, this is worse than the last depression under Roosevelt. The difference I see, and I only tell this committee, in Roosevelt's time the President of the United States seemed to want to help the unemployed. He wanted to help put these programs through.

But it seems that the present administration and the man in the White House, the President of the United States, seems to be fighting your efforts; and this is too serious a thing, to see 7½ million people—you take the part time and you go through the figures the AFL and Brother Watts has just told you—we are up around 11 million unemployed right now.

Now this depression was created by the administration that is in office now. We went and met with them in October at the inflation meeting. I personally told Mr. Ford what I thought about the policy. I am very blunt and frank; but I do not care; I speak what I want and say what I want, because these are the people that I am concerned about. They have elected me to my job and they are getting slaughtered out there. We have been very patient. Now, nobody wants to start the demonstrations. If you notice, Georgey Meany has put the lid on demonstrations. He does not want mass demonstrations. But I do not think Mr. Meany or anybody else is going to hold these people down much longer. There are people out there that are getting restless. They want some help. They want jobs. They do not want a relief job.

We think the 35-hour week is the answer to this problem. For 40 years now we have been on a 40-hour week, and when unemployment gets too big we can put the double-time provision in. If you put it at time and a half they will not hire anybody; and they will have a speedup, even as you go. The result is that there will be much more than 3 million jobs. But we think basically you will have 3 million new jobs with a 35-hour week, and it is going to cost a lot less than the approach we are going through now. I think it is time for a 35-hour week. We have waited all of our lives for this great opportunity to live in a world where Americans are going to have this great utopia they used to talk about after World War II when I got out of the Army. And we are here today. You know, we see, there are more breadlines; we had that in the thirties.

I think this great country of ours which helps everybody else better start helping its own people.

I thank you for inviting me, and excuse me for popping off, but I do get carried away. I am sorry about that.

Representative MOORHEAD. I do not think you need to be sorry Mr. Hardy. I think you made a very eloquent statement on behalf of not only your own people in your union, but all Americans who are either unemployed or afraid about facing that.

Just a procedural matter. You presented us with your 20-point program and this article from the Los Angeles Times, dated March 6, 1975. Without objection, both of those will be made part of the record.

[The material referred to follows:]

A 20-Point Program To Meet America's Economic Emergency

America's economic crisis, the most severe since the Great Depression, is threating to become a disaster of monumental proportions unless immediate and radical actions are taken to prevent a complete economic collapse.

Service Employees International Union believes that neither the legislative proposals of the Administration nor the Congress reflect the terrible severity of the present situation. We believe that only a far-reaching and imaginative program encompassing numerous important reforms can cope with this depression. Such a program would address the three main areas of jobs, taxes, and energy, and deal as well with certain specific problem areas, such as interest rates and health.

JOBS

America needs jobs for all of its 7½ million unemployed. Direct action to create these jobs should be the top priority of Congress.

In the area of jobs, SEIU makes the following recommendations:

(1) An immediate increase of *one million public service jobs.* The recent CETA increases were a start, but come nowhere near filling the present need. In implementing this program, local officials should be directed to bargain and consult with unions concerning the impact these new jobs would have on established working conditions. The new jobs should not be replacements for established jobs. Furthermore, the new positions should be slotted at prevailing wage and fringe benefit rates, in entry-level positions.

(2) *A 35-hour week at 40 hours pay,* for all large employers. Such legislation, through amendments to the Fair Labor Standards Act, would create over 3 million jobs at an increase in the employers' payroll of only 14%. In addition, there should be double-time for overtime. Our nation's expanding work force must be provided with ample job opportunities. A 35–hour week is the one major step that would address, once and for all, the unbearably high jobless rates we have seen in the past years. It has been 40 years since Congress legislated the 40-hour week, and a reduction to 35 hours now would be timely.

(3) *Federal standards for unemployment insurance.* This would guarantee a worker 75 percent of his or her weekly wage in unemployment benefits. Our union also supports payment of health insurance benefits for the unemployed, the elimination of the one-week waiting period, and Federal aid to states to help meet the increased cost of the U.I. program.

(4) The Federal Government should act as *employer of last resort* for all those who have exhausted their unemployment benefits, and who have no other option for employment. Such a guarantee can be provided through a Federal program like the Works Progress Administration or Civilian Conservation Corps of the 1930's, which not only provided thousands of unemployed Americans with meaningful work, but was responsible for hundreds of much-needed conservation projects. Such a program in the 1970's could help America deal with many of its environmental problems while assuring every citizen a job.

(5) Congress should act quickly to stop the flow of *illegal aliens* into the United States. Each year American workers lose 1,000,000 jobs by employers exploiting illegal aliens. Strict legislation, penalizing the employer for such action, is desperately needed. Similiarly, hundreds of thousands of jobs are being lost to foreign nations through the "farming out" of manufacturing work to low-wage foreign employers. This must also be stopped.

(6) Finally, to insure that low wage workers are protected from the ravages of inflation, Congress should *increase the minimum wage to $3.00 an hour.*

TAXES

A massive tax cut, three times the size proposed by President Ford, is needed to stimulate consumer spending and turn the economy around. During the past year $55 billion in consumer spending was lost to the nation's economy. This must be offset by Federal tax policy. SEIU recommends:

(7) *A $30 billion rebate on 1974 taxes,* through a $100 per cent exemption credit and a 10% cut on the balance, with a maximum rebate of $600. This would mean families with incomes of under $18,000 would get the help, and the total rebate would represent about 3 percent of current consumer spending. Such a cut would put money into the hands of those who need it most, and those most likely to spend it.

(8) *An increase in the investment tax credit to 10 percent for corporations and utilities.* This would stimulate the creation of new plants and machinery, thus providing additional jobs.

(9) *A permanent tax cut in 1975* on top of the rebate would provide additional stimulus by reducing witholding. Tax relief for the working poor is absolutely necessary. No one earning less than $100 a week should pay any Federal income tax at all. These low-wage earners should also be protected from the impact of the social security payroll tax by the elimination of the payroll tax on the first $100 a week income. The revenue loss to the social security system would be made up from general revenue.

(10) Closing *tax loopholes,* through which corporations legally rob the U.S. Treasury of billions of dollars every year. The oil depletion allowance in particular should be immediately rescinded. Not until true tax justice is achieved will the fiscal problems of government be solved.

ENERGY

The problem of energy is basic to our present economic difficulties. Not until we solve these problems can we expect our economy to return to normal. Out basic need is for America—not the big multinational oil conglomerates—to control her energy resources. SEIU recommends:

(11) *Federal control of our energy resources through an energy TVA-type agency* responsible for importation and domestic production, research for new energy sources, and the setting of domestic prices. We can no longer depend upon the dollar-oriented private sector to meet the challenge of today's energy crisis. Only an agency controlled by all Americans will provide us the resources we so desperately need.

(12) Reduction of our energy consumption through an *equitable system of rationing,* as well as regional allocation. This would share the burden of reduced fuel supplies and prevent those who can afford higher taxes from benefiting at the expense of working people.

(13) Continued *regulation of natural gas,* as well as a Federal investigation into the limits of our natural gas resources. We can not afford an eightfold increase in natural gas prices so that private companies will have an "incentive" to develop our gas supplies.

(14) A national system of *fare-free mass transit* would break once and for all our dependence upon private commuter transit. Federal subsidies for such a system should be thoroughly explored, and current programs of aid to mass transit projects should be funded at substantially higher levels.

OTHER MAJOR AREAS

Aside from the three main areas of Jobs, Taxes and Energy, Congress should act quickly in a number of other key sectors. SEIU recommends:

(15) *Zower interest rates and credit allocation* by the Federal Reserve Board. The President, under the 1969 Credit Control Act, should instruct the Federal Reserve Board to substantially reduce interest rates and allocate this credit to socially needed programs such as housing, plant expansion, and mass transit. FHA and VA mortgages should be reduced to 6 percent, and Congress should reactivate all Federal housing programs. The Federal government should act as lender of last resort for state and local governments.

(16) *Spending impounded funds* for all accelerated public works programs. These are projects that are well past the planning stage and need only the release of Congressionally allocated funds to get them underway.

(17) *Repeal of 14-B* of the Taft-Hartley Act so that workers can better their economic condition by bargaining for full union security.

(18) Immediate passage of *national health security* to deal once and for all with the crippling effects of high-cost medical care.

(19) Dealing with the high price of food through a system of subsidies for basic commodities that would maintain *price controls on basic food items.*

We should also deal with the amoral practices of the huge food conglomerates, and above all get rid of their spokesman in Washington by firing Earl Butz, the Secretary of Agriculture.

(20) Congress should investigate the lax enforcement of the anti-trust laws which encourage the excesses of monopoly power in the United States.

[From the Los Angeles Times, Mar. 6, 1975]

FIGURE CALLED CONSERVATIVE: ONE OF FOUR SAN FRANCISCANS ON WELFARE, STUDY FINDS

(By Philip Hager, Times Staff Writer)

SAN FRANCISCO—One of every four San Franciscans is now receiving welfare assistance compared to one in seven only five years ago, a special study by the mayor's office revealed Wednesday.

The new figure was characterized as "conservative" by a city official who compiled the statistics. The number might be closer to one in three if it included Social Security recipients with no separate income, she said.

Furthermore, she added, persons receiving unemployment insurance payments—unemployment is reported at 10.6% of the work force here—were not included in the study.

"What this indicates, by the most conservative analysis, is that a third of the town is on the skids, so to speak," said Mrs. Susan Scarpulla, an executive assistant to Mayor Joseph R. Alioto. "They're really hurting financially."

In Washington, meanwhile, Alioto, current president of the U.S. Conference of Mayors, appealed for special federal appropriations for the cities.

"I was shocked to learn that in San Francisco, which is outwardly affluent, the welfare rolls have gone from 14% to 23% (since 1970)," Alioto said at a conference meeting there Tuesday. "In a time of trouble the cities become magnets for the disadvantaged."

Precise comparative figures with other California cities were not immediately available, but welfare officials said San Francisco's climbing rolls appeared substantially higher than the rest of the state.

A spokesman for the state Social Welfare Department estimated that 2.5 million Californians—or one in eight—were receiving state and federal welfare assistance as of last December.

And in Los Angeles County, with a total population of about 7 million, a spokesman for the Public Social Service Department said that about 850,000 persons were receiving state welfare aid as of the end of December, again about one in eight.

Mrs. Scarpulla works in a newly instituted city "clearing house" designed to coordinate and analyze federal programs operating in San Francisco. The welfare study was made to determine as closely as possible the number of persons now receiving public aid from state and federal programs. Special precautions were taken to insure against duplications in counting recipients involved in the wide array of programs.

As of January, according to Mrs. Scarpulla, 157,000 of the city's 675,000 residents were receiving public assistance.

She attributed the increase to a number of factors, primarily the recent sharp drop in population (relatively affluent residents have left the city) and a worsening economic situation.

"What is happening is the proportion of people within San Francisco at or below the subsistence level is greatly growing, as a result of people leaving the city and the raft of things going on with the economy," she said.

Since 1970, she noted, the city's overall population has decreased by about 40,000.

"This is an incredible paradox," she said in an interview. "The city, with its booming financial district and its affluent neighborhoods, still finds itself with a particular group of people who are hardly visible—showing up only when they come in contact with government (welfare) agencies."

As of now, she said, with rising costs a family of four needs an annual income of $10,000 for what she called a "minimal" standard of living in San Francisco.

In addition to the 157,000 persons receiving public assistance—aid to Families with Dependent Children, food stamps, general relief, aid to the disabled, and other programs—another 121,000 San Franciscans are now receiving Social Security payments, according to the study.

While exact figures were not available, Mrs. Scarpulla said, officials estimate that "at least half" of the Social Security recipients are receiving no other income.

Representative MOORHEAD. Mr. Georgine has arrived. Will you not come forward, sir.

We would now like to hear from you. I notice that the time is getting late. If you could abbreviate your statement somewhat so that the members of the committee could have a chance to direct questions to all members of the panel, we would appreciate it.

STATEMENT OF ROBERT A. GEORGINE, PRESIDENT, BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

Mr. GEORGINE. Thank you very much, Mr. Chairman. I am glad to have the opportunity to appear before you today. Let me say that I submitted, actually, two statements; one which is very long and lengthy, and goes into a whole lot of detail, and then I have a short statement which will take me about 10 or 12 minutes to read.

Representative MOORHEAD. Fine. Why do you not proceed in that way? Without objection, your full statement, the long one, will be made a complete part of the record.

Mr. GEORGINE. America is in a depression, with the employment rate at about 8.2 percent, representing nearly 7½ million people without jobs. It is time that the administration stopped fooling itself. It is time that appropriate policies be adoped to reverse the decline, the time for measures more immediate and more far reaching than any administration has contemplated.

Last September, at the White House Settlement Conference on Construction, speaking on behalf of the Building and Construction Trades Department, I started my statement by saying, let us make no mistake about it; we are in the midst of a full-fledged recession, one which threatens to be protracted, and to undermine world stability. I indicated that the Government must take drastic action now if the situation is to be brought under control. The Building Trades Department proposed an affirmative action program, including tax cuts, allocating credit, expanding the money supply, lowering the interest rates, releasing impounded funds, and launching public works programs. Every word of my statement applies with equal force today. The administration listened, but took little action. It continued to apply the same old wrong cures which had caused the deplorable condition in the first place.

Today, the results of this failure to act are clear. The specter of depression stalks the land. The construction industry is already in a depression. Even worse, future projects are being canceled at such an alarming rate that when present jobs are completed, there will be little work contracted to replace them.

The construction industry is fighting for its breath. The housing industry has collapsed. Electric utilities have been compelled to drastically cut back on vitally needed energy expansion programs. Commercial construction has dropped off dramatically. Heavy and highway construction is virtually dried up. Contractors by the tens of thousands are being forced to the wall.

The construction industry has no single voice, and no home in the Government it can call its own. It has been the victim of constant administration tinkering with its off-again, on-again policy. Beyond doubt, the construction industry has borne an unfair and disproportionate burden in the administration's discredited strategy of balancing the budget.

The simple, unvarnished truth is that over the past 18 months, the Federal Reserve Board, the Office of Management and Budget, and the Council of Economic Advisers have pursued policies designed to bring inflation under control by deliberately choking the construction industry through high interest, tight money policies, by freezing many housing construction programs, by cutting back on the other Federal construction programs, and by defiantly impounding many billions of dollars of funds, contrary to the intent of Congress.

In short, the construction industry, the Nation's largest industry, its bellwether of prosperity, has been the victim of a reckless course of Government action designed to halt inflation, which has not only failed to bring inflation under control, but has brought the entire economy to the brink of a depression. Unemployment is rampant. While the overall unemployment figure remained constant at 8.2 percent last month, the construction industry unemployment rate rose again to a staggering 15.9 percent. The construction industry has been laboring under double digit unemployment for 9 consecutive months, double the national average. These figures, however, are only an average. They do not fully portray the enormity of the problem.

In Detroit, for example, unemployment is 40 percent, the engineers are 45 percent, laborers 43 percent, and painters 55 percent unemployed. In Cleveland, unemployment is 35 percent. The bricklayers are 50 percent, plumbers 40 percent, and plasterers 55 percent unemployed. I could go on—New York, 25 percent; Chicago, 25 percent; Boston, 25 percent; San Diego, 29 percent; Milwaukee, 30 percent; and Flint, Mich., 50 percent. I have a chart in my prepared statement which lists unemployment by crafts in a random sample of cities.

Unemployment is also a lengthening problem. The number of construction workers idled for 15 weeks or more is over 225,000. Underemployment is an equally grave problem. According to Labor Department studies, the average full-time construction employee works an average of 1,200 hours at his trade each year, at least 800 hours less than the average industrial worker. The past year has seen the average number of hours worked per week by a construction worker consistently decline. Due to the scarcity of work, many local unions are being forced to adopt shorter workweeks. Nevertheless, these workers are counted as fully employed.

High construction unemployment is a tremendous cost to the entire economy. The taxes lost to the Federal Government from unemployed construction workers alone is now close to $650 million. On top of this, $820 million are being lost to the already badly troubled social security system. Sizable amounts of State and local taxes are also being forfeited, in addition to corporate taxes.

Furthermore, when we add the multiplier effect of unemployment in related and other industries caused by the depression in construction, the total unemployment comes to nearly 3 million people. This is almost two-fifths of the Nation's total unemployment and clearly demonstrates that the depressed construction industry is only fueling this country's overall unemployment problem.

The human cost of unemployment is incalculable, and cries out for attention. For all, unemployment is a constant, demeaning, ego-eroding worry.

In the old tradition of attacking messengers who bring bad news, many critics quarrel with the unemployment survey itself. Conservative economists complain that it overstates unemployment by counting everyone who merely claims to be looking for work; liberals argue that it does not count enough dropouts, and pays too little attention to the underemployed—people who hold part-time or menial jobs. And some argue that seasonal adjustment adds needless complication and undermines credibility. While we argue about the method of computing figures, millions of workers are idle.

Not only is unemployment still on the rise, with no foreseeable help in the near future, but current construction expenditures and contracts for new construction are continuing to drop. According to figures released by the F. W. Dodge Division of McGraw Hill last week, January's contracts for future construction work declined 13 percent from the previous January total. When this statistic is adjusted for inflation, the total decline rises to over 27 percent.

In housing in February, the starts rate dropped to 977,000 or 48 percent below a year ago. As work under construction catches up with the decline of starts, there will be more unemployment. This decline in residential construction has occurred despite a need to build over 2 million units a year.

In the housing finance area, although more than $15 billion in commitments for mortgage purchases have been issued under various mortgage assistance plans since the first of 1974, available data indicate that only $3 billion in mortgages have been delivered pursuant to these commitments thus far.

These various tandem plans and other special assistance mortgage finance programs have not been more effective because the mortgages have been made available at interest rates of 7¾ percent to 8¾ percent, which disqualifies the majority of American families from the purchase of new homes because their incomes are just too low. Most construction of new rental housing and shopping center income properties has also been made economically unworkable by high mortgage interest rates. Although such rates have come down slightly in the last month or two, they are still too high to support a healthy volume of construction.

In addition to the high interest rates which adversely affected the demand for unsubsidized housing, the decline in residential construction reflects the phase-out of most of the federally subsidized housing programs. Annual production under these programs has fallen from 430,000 in 1971 to 115,000 in 1974. The older programs will continue to be reduced in 1975, and the new section 8 housing allowance program is just getting started. It is a complex program, and cannot be relied upon to generate more than a fraction of the 300,000 to 400,000 unit decline in annual subsidized housing production. If we are to fill the gap, available funds that have been authorized under the older subsidized housing programs have to be put to use.

Consider utilities, the Nation's utilities during 1974 cut back more than $20 billion of their projected $88 billion construction budget through 1978. In the last 4 months, only two new contracts were let for utility construction, despite the critical energy shortage. As of the end of 1974, more than one-half of the scheduled nuclear construction for the next 4 years has either been postponed or canceled.

There is no better way to place our economy back on its own feet than by putting its largest industry, with 4 million workers employed directly and over 6 million employed indirectly, back to work, helping to meet this Nation's vast unfilled needs for energy development, housing, mass transportation, industrial capacity, and so on. While we endorse public service programs and extended unemployment compensation benefits as temporary palliatives to reduce the impact of depression, we say that neither these programs nor the projected tax cuts by themselves will prove sufficient to pull America out of this protracted recession. We believe that, as in the past, the construction industry, if only given the opportunity, can lead this Nation out of the recession. This country will not come out of a recession until the construction industry does.

We call upon the administration and the Congress now to respond to our program before it is too late.

First, and before the Easter recess, Congress must pass and send to the President's desk a tax cut measure of at least $30 billion to stimulate the economy and create jobs.

Second, we call upon the administration to release and commit the billions of dollars of construction funds, already authorized and appropriated by the Congress, that the Nixon administration illegally impounded in its struggle to impose the will of the executive over the legislative branch. Although President Ford has announced the release of some funds and the courts have ruled that the sewerage treatment facilities funds were illegally impounded, the moneys have not been forthcoming.

Third, we call upon the administration to immediately abandon its tight money policies and to restore consumer confidence by fighting the recession with vigorous fiscal and monetary policies; specifically, we call upon the administration to cause the Federal Reserve Board to promptly stimulate the economy by expanding the rate of growth in our money supply to 10 percent in 1975. This should be coupled with necessary Board action to further reduce the interest rates. These two critical moves along would generate tens of billions of dollars of non-Federal construction, and restore consumer confidence, without any expenditure of Federal funds.

Fourth, we further call upon the President to direct the Federal Reserve Board, pursuant to the provisions of the Credit Control Act of 1969, to allocate credit for housing, utilities and State and local governments.

Fifth, we call upon the Congress to launch immediately a vigorous public works program. This goal could be attained by increasing appropriations for existing programs and by passage of a new accelerated public works program.

Sixth, we support the proposal of the President's Labor-Management Committee to increase the investment tax credit to 12 percent for all industries. New capital spending is essential for increased productivity and to assure that bottlenecks do not materialize.

Seventh, special assistance to the utility industry is necessary if we are to meet the energy needs of this Nation, brought about as a result of the Arab oil embargo. We do not propose that every request for a rate increase simply be rubberstamped. We do, however, believe that special assistance should be considered in such areas as lower interest rates, increased money supply, investment tax credits, and even government guarantee of construction bond issues.

Eighth, we call upon the Congress to develop a rational environmental procedure instead of the present crazy quilt pattern. The Building Trades Department supports fully the notion of a safe and healthy environment, both on the job and in our society in general. For example, we vigorously supported the strip mining legislation containing environmental safeguards, which was vetoed last year. But currently tens of billions of dollars of potential construction, public and private, are either stymied or halted by environmental litigation, administrative proceedings, and so on, with no possibility for early resolution. Such haphazard activity prohibits rational and systematic planning, makes for unnecessary delays, and vastly increased costs. We call for a rational, stabilized system for environmental and other planning, under which full consideration is given from the outset, while at the same time due regard would be accorded to the necessity for reaching a final decision without endless delays.

Ninth, immediate and substantial relief is needed for the housing industry in the form of 6-percent mortgage financing for middle income housing, and reactivation of the older low-income housing projects. And lastly, we call upon the administration to set up a cabinet post to coordinate all construction activities within the Government, so that a repetition of the present intolerable situation can be avoided.

Thank you, Mr. Chairman.

Representative MOORHEAD. Thank you very much, Mr. Georgine. Your prepared statement will be included in the hearing record.

We thank all the members of the panel.

[The prepared statement of Mr. Georgine follows:]

PREPARED STATEMENT OF ROBERT A. GEORGINE

NATIONAL ECONOMY—OVERVIEW

America's economic crisis is growing at a frightening speed.

The worst downward spiral since the 1930s is now feeding on itself. A massive drop in purchasing power has brought down consumer sales.

Consumer purchasing power has fallen so sharply that it would now require an increase of close to $60 billion in the annual rate of total after-tax personal income to bring the average buying power of every man, woman and child in America merely back to the level that was achieved in the July-September quarter of 1973, before the recession started.

The drop in buying power and sales has resulted in attempts by business to reduce its huge inventories, accumulated over the past two years, through cutbacks of orders, production and employment—hitting the wide range of consumer goods industries from textiles and apparel to electrical appliances and furniture, including severe job losses in the auto industry.

It has also resulted in an alarming drop in industry's operating rate and reductions in the real volume of business investment in plants, machines and equipment. Moreover, every additional week of layoffs and cuts in weekly work-schedules is resulting in a further drop in consumer buying power, which means a further weakening of sales, production and employment.

With declines in business and consumer loans, as a result of the slide in economic activities and the modest shift in the Federal Reserve's policies, interest rates on short-term loans have moved down. But interest rates on long-term loans for mortgages and business expansion remain close to the 1974 record peaks, reached during the Federal Reserve's money-crunch.

As a result, homebuilding remains in a depression, with housing starts down 60 percent from the early months of 1973—hitting residential construction and the numerous building supply and home appliance industries. The accompanying decline of business investment in plant and equipment is causing cuts in production and employment in heavy construction, machinery and related industries.

The squeeze on state and local governments from high interest payments and falling tax revenues is resulting in layoffs of public employees and postponed efforts to improve public facilities and services.

Many businesses, as well as consumers, find themselves burdened with large debts and falling incomes, with the threat of impending bankruptcies. Many of the nation's over-extended banks face insolvency, if payments on the huge business loans, extended for inventory hoarding and speculation in 1973 and 1974, cannot be met.

Under these conditions, production cutbacks are continuing to spread. Unemployment is feeding on unemployment.

In February, according to the Labor Department's most recent report, the number of unemployed soared to 7.5 million or 8.2 percent of the labor force, the worst unemployment in 34 years. That was a jump of 2.6 million jobless since August, the sharpest five-month rise in unemployment since the Labor Department started its monthly reports in 1940.

In February, an additional 3.8 million workers were being compelled to work part-time because full-time work was not available. An estimated 900,000 more discouraged people gave up their search for jobs as hopeless. This amounts to 12.2 million unemployed and underemployed workers.

In the face of this dangerously deteriorating situation, the Administration has proposed a complicated package of income tax reductions, more than offset by energy-related tax and price increases. On balance, this package is a formula for more unemployment, extended recession and prolonged inflation.

The direct impact of the proposed energy-related tax and price boosts, according to the Economics Division of the Library of Congress, "could cost at least $50.3 billion in 1975" which "could raise prices by three percentage points." As these energy costs ripple out through the economy, they would boost the prices of everything, from food and drug bills to bus fares.

The President's Budget projects prolonged recession-level unemployment through 1980. The budget assumes an unemployment rate of 8.1 percent in 1975, 7.9 percent in 1976, 7.5 percent in 1977 and 6.9 percent in 1978. That would mean four successive years of the highest unemployment levels since 1941. Even by 1980, five years from now, the Budget's projected unemployment rate is 5.5 percent—a rate which is totally unacceptable to everyone except the Administration.

While the Administration complacently accepts such forecasts of continuing troubles for millions of American families, its spokesmen concentrate their fire on the crisis-created budget deficits. The President proposed to hold down federal spending by cutting programs for the poor, the retired and veterans and by placing a 5 percent ceiling on 1975 pay increases for federal employees. However, the Budget Report admits in all candor:

"Aside from the effects of the proposed tax reduction, the deficits anticipated for 1975 and 1976 are largely the inevitable result of those aspects of the budget and the tax system that respond automatically to changes in the economy, such as budget receipts and unemployment benefit payments . . . If the economy were to be as fully employed in 1976 as it was in 1974, we would have $40 billion in additional tax receipts, assuming no change in tax rates, and $12.7 billion less in aid to the unemployed. These two factors alone exceed the budget deficit for 1976."

The budget deficit will recede when employment and business activities pick up. Further, the elimination of major special tax privileges for corporations and wealthy families can provide as much as $20 to $30 billion of additional federal revenue.

The economic crisis has gone so far that only massive emergency measures can halt the downward spiral, turn the economy around, put Americans back to work and restore public confidence in the Government's ability to correct the economy's difficulties.

CONSTRUCTION ECONOMY—OVERVIEW

While America is in a recession, the construction industry is in a depression. This depression has been brought on by a set of deliberate policies designed to fight inflation with recession. With American workers now bearing a disproportionate burden of this misguided economic policy, the administration has proposed no adequate means of relief.

The construction industry is fighting for its breath. The housing industry has collapsed. Electric utilities have been compelled to drastically cut back on vitally needed energy expansion programs. Commercial construction has dropped off dramatically. Heavy and highway construction is virtually dried up. Contractors by the tens of thousands are being forced to the wall.

The construction industry has no single voice, and no home in the government it can call its own. It has been the victim of constant administration tinkering with its off again, on again policy.

Beyond doubt, the construction industry has borne an unfair and disproportionate burden in the Administration's discredited strategy of balancing the budget.

The simple unvarnished truth is that over the past eighteen months the Federal Reserve Board, the Office of Management and Budget, and the Council of Economic Advisers have pursued policies designed to bring inflation under control by deliberately choking the construction industry through high interest-tight money policies, by freezing many housing construction programs, by cutting back on the other federal construction programs, and by defiantly impounding many billions of dollars of funds contrary to the intent of Congress.

In short, the construction industry—the nation's largest industry—its bell-whether of prosperity—has been the victim of a reckless course of governmental action, designed to halt inflation, which has not only failed to bring inflation under control but has brought the entire economy to the brink of a depression.

The most recently available statistics give little reason to expect anything better from 1975. Unemployment for the month of February in the construction industry reached a staggering 15.9%, when seasonally adjusted. This translates into 688,000 unemployed construction workers. The seasonally unadjusted figures are even more frightening—24.0 percent or 1,017,000 men out of work.

1974 brought a succession of setbacks to the nation's construction markets. An energy crisis, materials shortage, stagflation and a money crunch all contributed to a disastrous year.

Construction activity has been affected more drastically than any other sector of the economy during the current tight money period. The Dodge Division of McGraw Hill, on March 12, 1975, released their latest estimate of construction contract volume for 1975, January's contracts for future construction work was valued at $5,100,207,000, a decline of 13 percent from the previous January total. After accounting for an estimated 14.2% increase in construction costs over the same time period, the decrease in real volume of construction comes to 27%.

UNEMPLOYMENT

As stated before unemployment in the construction industry is rampant.

The construction industry has been laboring under double-digit unemployment for nine consecutive months. Double the national average.

These figures, however, are only an average. In New Britain, Connecticut, for example, unemployment is 55%. In Detroit it is 40%, Cleveland 35%, Milwaukee 30%, and San Diego 29%. The rate in Boston and Chicago is 25% while New York has 23% unemployment.

Even worse, unemployment is a lengthening problem. The number of workers idled for fifteen weeks or more is over 225,000.

Under employment is an equally grave problem.

According to Labor Department studies, the average full-time (more than 700 hours) construction employee works an average of 1200 hours at his trade each year—at least 800 hours less than the average industrial workers. The past year has seen the average number of hours worked per week by a construction worker consistently decline. Due to the scarcity of work, many local unions are being forced to adopt shorter work weeks. Nevertheless, these workers are counted as employed.

The building industry is suffering. It is impossible to accurately estimate, but skilled tradesmen are being lost to the industry. Discouraged by the impossibility of finding work, they are simply deserting the industry. If we can put the building industry back on its feet we will halt this attrition and make use of some of the country's most skilled workers.

In addition, high construction unemployment is a tremendous cost to the entire economy.

The taxes lost to the Federal Government fron unemployed construction workers alone is now close to 650 million dollars. On top of this, 820 million dollars are being lost to the already badly troubled Social Security system. Sizable amounts of state and local taxes are also being forfeited, in addition to corporate taxes.

Furthermore, when we add the multiplier effect of unemployment in related and other industries caused by the depression in construction the total unemployment comes to nearly three million people. This is almost two-fifths of the nation's total unemployment and clearly demonstrates that the depressed construction industry is only fueling this country's overall unemployment problem.

The human cost of unemployment is incalculable and cries out for attention.

For the old, unemployment is a constant demeaning ego-eroding worry.

In the old tradition of attacking messengers who bring bad news, many critics quarrel with the unemployment survey itself. Conservative economists complain that it overstates unemployment by counting everyone who merely claims to be locking for work; liberals argue that it doesn't count enough dropouts and pays too little attention to the underemployed—people who hold part-time or menial jobs. And some argue that seasonal adjustment adds needless complication and undermines credibility.

While we argue about the method of computing figures millions of workers are idle.

Unemployment by crafts—Random sample of cities—March 19, 1975

Detroit, 40 percent

	Percent		Percent
Iron workers	30	Engineers	45
Carpenters	20	Painters	55
Cement mason	60	Sheet metal workers	25
Electrical workers	26	Pipe fitters	25
Laborers	43	Plumbers	33

Cleveland, 35 percent

	Percent		Percent
Iron workers	20	Sheet metal workers	30
Electrical workers	20	Pipe fitters	45
Laborers	40	Plumbers	40
Engineers	30	Bricklayers	50
Painters	40	Plasterers	55

Columbus, Ga., 30 percent

	Percent		Percent
Iron workers	20	Laborers	30
Carpenters	30	Sheet metal workers	30
Electrical workers	31		

Milwaukee, 30 percent

	Percent		Percent
Carpenters	50	Laborers	50
Cement masons	35–50	Bricklayers	50
Cement finishers	50	All others approximately	30

San Diego, 29 percent

	Percent		Percent
Ironworkers	10	Painters	25
Carpenters	39	Sheet metal workers	25
Electrical workers	11	Plumbers	35
Laborers	30	Bricklayers	27
Engineers	20	Lathers	35

Phoenix, 29 percent

	Percent		Percent
Ironworkers	15	Sheet metal workers	38
Carpenters	27	United Association	30
Electrical workers	21	Asbestos workers	6
Laborers	41	Boilermakers	24
Engineers	25	Lathers	35
Painters	50		

Chicago, 25 percent

	Percent		Percent
Ironworkers	25	Laborers	40–50
Carpenters	25	Painters	25
Cement finishers	70	Bricklayers	25
Electrical workers	15	Plasterers	18

New York, 25 percent

	Percent		Percent
Carpenters	26	Plumbers	16
Electrical workers	10	Steam fitters	20
Laborers	25	Plasterers	50
Engineers	20	Bricklayers	50
Painters	30	Elevator constructors	22
Sheet metal workers	26	Asbestos workers	18

San Francisco, 20 percent

	Percent		Percent
Carpenters	25	Engineers	40
Electrical workers	15	Painters	14
Laborers	24		

HOUSING

Housing starts in 1974 were 34 percent less than in 1973, and 43 percent, or more than one million units, below the 1972 level. The full extent of the decline from October 1972 to December 1974 in the annual rate of new housing starts was 65 percent. The February current production rate of 977,000 units is less than half of what is needed to meet the continuing increase in the number of households and to replace losses from the existing supply of housing.

This underproduction level contributes to both inflation and recession as local housing market shortages develop. Despite the temporary protection of one and two-year leases for tenants, the rent index has been increasing at a 6 percent annual rate. The median price of existing homes sold in January was up 10 percent above a year ago. The homeownership cost index, which reflects home purchase prices and mortgage interest rates, has been rising at an annual rate of more than 14 percent.

Construction unemployment will continue to rise as housing, started during preceding months, is completed and the volume of construction work under way declines.

Building materials and appliance supplier industries, transportation, furniture and home furnishings industries have also suffered a sharp decline in demand and production in the wake of the homebuilding decline. Unemployment in those industries has increased. Reduced purchasing power of the unemployed in construction and related industries has weakened economic demands and confidence in the entire economy.

The number of unsold new homes remains above 400,000 equal to about one year's supply at the current rate of sales. This large unsold inventory remains even though over $15 billion has been committed by the government the previous 14 months under under special programs for purchases of home mortgages at interest rates of 7–3/4 to 8–3/4 percent. Thus far, only about one-fifth of these funds have been used for home purchases. Most families cannot afford to buy homes financed at such high interest rates.

Federally-assisted low and moderate-income housing programs have been cut back since a moratorium on new approvals was declared in January 1973. Housing starts under the low and moderate-income programs declined from 339,000 in 1972 to 181,000 in 1973 and to about 115,000 in 1974. Authority for over $400 million in annual assistance payments for homeownership and rental housing, which could support about 300,000 new housing units, remains unused.

Direct loan funds of $215 million for housing for the elderly, intended for long-term loans, is to be made available only for construction financing and then only after regulations have been promulgated in a few months. The president's budget does not request the release of the additional $700 million authorized by the Housing and Community Development Act of 1974.

The Administration is no longer approving new conventional public housing. It is placing major reliance for low-income housing production upon the complex new Section 8 housing assistance payments program. It has been estimated that it will take nine months after an application is received in a HUD office before construction will start. This program will not produce any sizeable volume of new construction in 1975.

While it is clear that housing costs have risen drastically, it is statistically invalid to claim that labor costs resulting from work practices embodied in building codes are the main reason for increased construction costs. For too long, labor has heard the false accusation that exorbitant increases in overall construction costs were due to higher wage rates in the construction industry. In reality, it is the cost of land and of construction financing, rather than labor costs, which are principally responsible for increasing construction costs.

A major distinction should be made between inflationary wage increases and those wage rates which reflect increased activity, greater productivity, and fewer manhours.

There are two different indexes which measure the relative weight of the components of housing costs, and both of these measurements indicate that the labor cost component currently represents a relatively small proportion of total costs.

The first index illustrates the relative weight of the components of the total initial cost of a single family house. The following table provides this information for the years, 1949, 1969 and 1974.

[In percent]

	1949	1969	1974
On-site labor	33	17	15
Materials	36	37	32
Land	11	22	25
Overhead and profit	15	13	13
Financing	5	7	10
Other		4	5

During this period, building materials have consistently represented the single largest component cost; but, the cost of land and the cost of financing have shown the greatest increase, more than doubling since 1949. The relative weight of the cost of on-site labor has shown the only significant decrease, declining by about 50%; much of this decline was due to the increased productivity at the worksite.

The other index for measuring housing costs is a breakdown of the components of monthly home ownership costs. This differs from the home building cost which measure only the initial cost of completing the home.

Component of homeownership costs (monthly costs)	Relative importance (percent)	
	End of 1969	End of 1973
Total homeownership costs	100	100
Home purchase	39	37
Land	9	9
Financing	3	4
Overhead and profit	5	5
Labor	7	6
Materials	14	12
Other	1	1
Mortgage interest payments	24	22
Property taxes	12	13
Property insurance	3	3
Maintenance repair	22	22

Note: Onsite labor represents only about 6 percent of the monthly homeownership cost.

UTILITY CONSTRUCTION

The Nation's utilities during 1974 cut back more than 20 billion dollars of their projected 88 billion dollar construction budget through 1978. In the last 4 months only 2 new contracts were let for utility construction, despite the critical energy shortage. As of the end of 1974, more than ½ of the scheduled nuclear construction for the next four years had been postponed or cancelled.

Recent events have seriously undermined the ability of the utility industry to finance the new facilities that are needed to provide power for a growing economy.

Historically, the investor-owned utilities had little difficulty in raising the large amounts of capital required. The steady growth of their earnings and the large proportion regularly paid out made their stocks and bonds attractive to investors, especially to retired persons and others interested in fairly safe investments. Now, this strong position has been undermined.

Earnings have deteriorated. Very substantial increases in the price of fuel have hit this industry especially hard. Fuel is the basic raw material of electric utilities, accounting for one fourth or more of the cost of production. A second major item of expense is interest on the bonds issued to pay for the facilities required to produce electricity.

Rising costs equals rising prices, but prices are controlled by the government. While the regulatory commissions and agencies have been allowing substantial rate increases (compared to the past)—the rate increases have still not kept up with the cost increases, resulting in declining earnings for utilities.

The typical utility is limited in the amount of bonds that it can issue. Some companies are perilously close to the minimum required to meet the legal obligations to existing bondholders. The situation will worsen as old bonds with low interest rates mature and are replaced by bonds with current higher interest rates—and the many recent reductions in the "ratings" of utility bonds mean very high interest rates and reduced attractiveness to potential investors.

Spokesmen for the electric utility industry frequently complain about the multiplicity of approvals that are required before a new electric generating plant can be put on operation. A recent survey by the Atomic Industrial Forum reported that 70 out of 95 nuclear projects have experienced delays ranging from 2 to 66 months. An average delay of 24.3 months was reported for plants under construction, and of 25.9 months for those awaiting permits. By far the most frequently cited reason for the power plants being behind schedule was government licensing and regulatory requirements. These delays prove to be expensive. The San Onofre power plant in California has been delayed three years, and will now cost two billion or one billion more than originally planned.

After fifteen years in which demand grew at an average annual rate of 7.4%, growth screeched to a halt last year. This sent shock waves through the industry in two ways. It penalized earnings last year by forcing many companies to produce below normal levels, and it created confusion about the long term demand for the product. The industry has severly cut back and slowed down construction of new power plants. These actions clearly create a risk of power shortages, perhaps three to five years from now. And because the utilities have primarily cut back construction of nuclear and coal-fired plants, their decisions also dim the nation's hopes to free itself from reliance on imported oil.

In the past, when growth could be taken for granted, as the utilities invested increasing sums to build new plants and equipment, the size of their "rate base" expanded, the regulators allowed them to earn higher profits commensurate with that enlarged base, and growth in sales almost automatically provided growth in earnings, without the need for higher rates. Now everything is different. Even if demand should surge forward once more, growth alone is no longer enough to provide adequate earnings. Inflation has made it necessary for the utilities to petition state regulators time and again for rate increases, after years in which electricity rates had actually declined. And the regulators, besieged by irrate consumers, are of course reluctant to raise the rates.

Given a moderate growth of about 6%, that implies a doubling of plant facilities in twelve years, which for any industry would be expensive.

The utility industry has always been highly capital-intensive and therefore would catch the full effects of inflation and the blown-up interest rates that go with it. The Technical Advisory Committee of the Federal Power Commission recently concluded a study: six percent growth over the next fifteen years will require the industry, public and private systems combined, somehow to muster 650 billion for construction. That's more than four times its existing investment and compares with about 145 billion spent in the last fifteen years when growth was over 7 percent.

Electric Companies are among the most sorely-pressed of all U.S. industries. Their problems are critical and demand immediate relief.

LABOR STANDARDS

Despite increased unemployment and a reduction in workers' purchasing power, there are those who would remove statutory labor protections and ask construction workers to accept lower earnings. Advocates of reduced wages for workers generally ignore the issue of strict government control of profit margins for contractors and developers. They similarly ignore the fact that construction workers have suffered from a 12.2 percent rate of inflation in the past year and have no choice but to ask for wage increases to protect their standard of living.

Both the Congress and the Courts have recognized that labor is not a commodity, and people have a right to organize and bargain for wages to support a decent living standard. In 1931, the Davis-Bacon Act was enacted into law, assuring that wages paid to workers on Federally-assisted contracts were comparable to prevailing wages in the area for comparable construction projects. The original purpose of this Act—to prevent itinerant contractors from undermining local labor and local contractors by paying less than an adequate wage—is as valid today as when the Act was signed. The ability to underbid contractors using highly trained workers, not on the basis of greater efficiency or better quality products, but on the basis of a depressed wage rate, can only have a negative effect on the local labor force, increasing unemployment rates to a dangerous level.

In 1931, when the Davis-Bacon Act was passed, we had a national unemployment rate of 15.9 percent. Today the construction industry has the same level of unemployment, 15.9% set against a much larger work force. That is why it is particularly inappropriate for some members of Congress to be considering the repeal of this worthwhile program. But even beyond its immediate value this program has served a very necessary function throughout the past 44 years. By its nature, the construction industry is subject to high rates of unemployment. A review of the last five years demonstrates this. In 1969 the average annual rate of all unemployment was 3.5 percent; in construction it was 6 percent; in 1970 the annual rate was 4.9 percent; in construction it was 10.4 percent; in 1972 the national rate was 5.6 percent and 10.3 percent in construction; and in 1973 the national rate of unemployment was 4.9 percent while the construction industry suffered a rate of 8.8 percent unemployment. Today, even though the 8.2 percent (Jan. '75) unemployment rate for the nation is the highest since 1961, the jobless rate in construction is twice that figure.

These figures show that unemployment in the construction industry runs about twice as high as the total economy. Because of this, construction workers face a higher risk of exploitation. In the past the Federal Government has refused to be a party to such unfair practices, but should Davis-Bacon be tampered with, Congress would be just as guilty as the profiteers who would win Government contracts by paying substandard wages, thereby dragging the economy lower into the depths of our economic recession.

The Davis-Bacon Act does not "set" wage rates. It merely requires that government contractors pay the prevailing minimum wage rate in the area which is the result of either collective bargaining or individual contracts. The Davis-Bacon Act prescribes prevailing wage rates, not union rates. At least 60% of the Department of Labor's prevailing wage determinations involve rural non-union areas. In those areas where the *hourly* rate might appear high, *annual* earnings, affected by seasonality, weather and other factors, are much less than would be expected given the average hourly wage rates.

An abolition of the wage protections embodied in Davis-Bacon would most probably result in a return to the chaotic conditions which existed in the early 1930's, with local construction markets continually being undermined, causing local unemployment and depressing the economy even further. Davis-Bacon protects much more than the workingman.

By maintaining the prevailing wage requirements of the Davis-Bacon Act we will provide equality of opportunity for contractors bidding on Federal Government construction projects, and assure that contracts are awarded not according to exploitative wage rates but according to qualifications and efficiency of operations.

The current downswing in the economy reinforces the need for the continuance of this program. In 1973 all new construction totaled $135.5 billion. Of this, $32.5 billion was government-related. In 1974 government construction exceeded $34 billion and had Davis-Bacon not been in effect the situation facing construction workers would be even more disastrous than it is today.

PRODUCTIVITY IN A DEPRESSED ECONOMY

The basic causes of the rise of productivity (output per manhour) include such factors as the education and skills of the population, the application of technological improvements through business investment and labor skills, and the growth of mass consumer markets, with high-volume operations and increasing worker buying power.

The largest cause of rising productivity, over the years, has been the improvement in the quality of American labor. This is the result of education, health, skills, training and work-experience—America's investment in "human capital."

Expanding mass markets in the U.S.—with mass consumer buying power supported by union-won wage gains—are both a cause and a result of highly productive mass production, using advanced technology. Growing mass markets make possible the efficiency of high volume production, which are essential for rapidly rising productivity.

Business investment in high technology machinery, equipment and plants is also a basic ingredient of rising productivity. Since World War II, the U.S. capital stock has gone up 250 percent while the labor forces rose less than 45 percent.

It is the application of these major factors—education and labor skills, high-volume operations and growing mass markets, expanding business investment in high-technology plants and machines—that makes for rapidly rising productivity.

In the past 55 years, productivity in the U.S. has moved up considerably. In the years, 1919 to 1947, the average yearly gain in productivity was 2.2 percent. It stepped up to an average yearly rate of 3.1 percent in 1947 to 1973, with the spread of new technology and growing markets in the years after World War II.

However, in the past several years, there has been a considerable lag in the rise of productivity. This was due to the recession of 1969–1970, when low-volume operations suppressed the rise of productivity. A similar development is occurring, now—a slow-down in the rise of productivity due to recessionary lower-volume operations.

In recessions and depressions, productivity fails to grow rapidly and sometimes falls. This occurs because sales and output drop or fail to grow fast enough to provide efficient, high-volume production, since workers and machinery are idle. In the 1969–70 recession, output per manhour rose less than one percent a year. In the 1971 business recovery, productivity-growth bounced back, up to 4.1 percent, as high volume operations returned.

Slow productivity-growth in 1974 is the result of the present economic slump.

So rapid productivity-growth requires an expanding economy, using its productive potential efficiently. Jobless workers and idle machines, however, are an economic waste and the result is lagging productivity. Slump conditions suppress the advance of productivity as a result of low-volume, inefficient operations

To get U.S. productivity rising rapidly again—and to assure adequate productivity advances in the future—it is essential that the government abandon its restrictive policies of tight money and high interest rates. Lower interest rates are needed to encourage high-volume operations and expanding business investment in plants and machines. The expansion of government programs of aid for the education and health of America's growing population are a basic prerequisite for long-run productivity advances.

Likewise productivity increases in the construction industry have paralleled those of the United States in general. One only has to look at progress pictures of major construction projects of years gone by to see the incredible differences. The number of manhours of field construction involved today are many times less than a few years ago. Two leading elements in this accomplishment has been the continuing introduction of highly specialized equipment, some of which are gigantic in size, and the development of a wide-range of off-site produced components. A continued increased in construction productivity is vitally dependent on elements like these and others. However, such development, in turn, is almost totally dependent upon a high volume of construction activity.

In looking at the problems of the construction industry brought about by inflation and current monetary policies, one has to keep in mind that the construction industry is the largest, single nonagricultural industry in the United States. As such, distortions in the steady advance of the construction industry that can have long-range unbalancing effects, such as we have been discussing here, foreshadow the impact on our overall long-range economy. We further have to look at the construction industry as the industry that is going to meet the needs of our population not only in 1975, but in the year 2000, a short way down the road. The intervening population growth, however, indicates that the construction industry may well have to build in those 25 years almost the equivalent of everything that is standing in this point of time. In addition, the construction industry can well be called upon to dismantle one-half of which is standing and rebuild it because of obsolesecence. This tremendous demand for continuing construction applies equally to the construction of public works.

Representative MOORHEAD. We welcome Congressmen Bolling and Long to the committee. The Chair will suggest in view of the time that we not follow the usual practice of the 10-minute questioning, but revert to the 5-minute question period. I would ask the staff to watch the time for me so that the Chair does not violate that admonition.

Gentlemen, you have given us excellent statements. I found one common theme running through this. I think Mr. Watts urged upon us prompt action; Mr. Hardy said do not wait; and Mr. Georgine said unemployment feeds on unemployment. I think that is correct. A little bit of action today—I mean more can be done with less if we act promptly than if we let the situation deteriorate further. It seems to me that the one economic program which both the administration and the Congress agree on in general, though not in the final form, is the fiscal program or tax changes. That consists of tax rebates, tax reduction and tax reform. Do you share my idea that it is so important to get the economic stimulus of the tax rebate and reduction, that even though we support tax reform, but we know it would take some time to do that, that with the possible exception of the depletion reform which we may be able to get through the Congress, that a thorough-going tax reform bill would have to be deferred in the interest of this emergency situation?

Mr. WATTS. I do not think there is any doubt about that, sir. I believe that everybody has generally accepted that. As a matter of fact, there have been indications I am sure you understand, from labor that it is concerned that perhaps consideration of the depletion allowance might slow down the immediate action on the tax cut.

We are considerably encouraged, though, as a result of what has happened in the House and now what has happened in the Senate in this regard, and obviously would like to see both bodies move ahead on this particular piece of reform. Congress must act promptly without going in recess to act on a tax cut. A tax rebate program will put money back into the economy.

I would like to follow up for a moment in that vein. I agree with the point that was being made by George Hardy concerning the deficit and the scare tactics that I believe are being used on the American people by the waving of this flag of danger suggesting that that deficit may go too high. I would endorse what he said.

Incidentally, if I am not mistaken, when we were out to try to save the world for democracy during World War II, the deficit went to something like 20 percent of the gross national product. That suggested that for an emergency period of time our economy could carry a deficit exceeding $200 billion, if the situation was bad enough, and I think that the situation is now bad enough. So, it would not be unreasonable to have a budget deficit that exceeded $100 billion.

But, at the same time it seems to me that the Congress must act and must act promptly in terms of putting back money to go into circulation. If you think just in terms of $50 billion having been drawn out of our economy, or at least $30 billion having been drawn out of our economy and apparently right into the OPEC countries just as a result of the oil crisis, that was $30 billion that went out of circulation. That had to have a depressing effect upon our economy, and it is absolutely essential that that kind of money be put back into circulation in order to hold up the economy until it can regain its own strength and begin to support itself.

Representative MOORHEAD. I would like to direct a question to Mr. Hardy. I was interested in some of the figures in your testimony, the fact that of the unemployed, one-half million came out of the category of government. Then in your oral presentation you gave facts and figures on certain localities, particularly cities and towns which were laying off people as a result of the recession. Their tax revenues were declining and therefore they had to lay off people. So, the State and local governments were doing just the opposite of the policy of the Federal Government in incurring the deficit.

I would ask you sir, if you have considered or would favor any program that would tie revenue sharing to counter cyclical national or regional unemployment rates to reverse that kind of trend?

Mr. HARDY. Well, it seems to me that when we met with Mr. Cavanaugh in New York City and Mayor Abraham Beame yesterday, they were in a crisis. They came before our public employees council and they just said they need help in the cities. They gave us these figures which we quoted to you—Cleveland is going to lay off 1,000; Atlanta is going on a 4 day week. They need so much help in the cities. When he got through—and it is not in this committee, it is another committee, Senator Muskie's committee—that they just have to get help in the cities to sell Government bonds, for instance.

They were down here yesterday and they met with the chairman of the Ways and Means Committee to try to sell their New York City bonds. They pay 5 percent, and nobody will buy the bonds. The Government can sell all the bonds they want at 6 percent. The banks would not loan them any money, and the Federal Government should loan the cities the money.

That is why I said it all comes back to here. You have the power to raise this money. You can sell bonds. They said the Government would get the difference, say, between a 6 percent bond—and I am not sure of the figures, but Mr. Beame would readily convey these figures—so that they could start raising some money with these bonds that they have. If the Government sells the bonds and loans them the money and they can buy the 5 percent bonds, they will pay them back. But, even though you are paying the 6 percent, say, for Government bonds now, or a little over 6 percent, the people that buy these bonds are taxing the Federal Government, and the difference in this taxation, say, between 5 percent and 6¼ percent or 6½ percent is the difference that can help bail these cities out.

Now this is the first time that I have ever heard of this. But New York City is desperate. They just called us in and they said, look, 7,100 people are being laid off. Now they are putting a lot of people out of pensions. But you know a congressional committee, you pass a pension program for labor and for the employers, God help you if you ever invested in State and city pension funds. They are underfunded, they are pies in the sky. It is a disgrace. Somebody is going to have to do it now. When this mass load is being shoved out of the workforce and public service to take a load off of the backs of the city on pensions I do not think there is money in there to fund these pensions. This is the problem we get. The cities cannot raise the money. Some of the States have money but you are going to have to help them. Somebody is going to have to buy their bonds. The city of San Francisco is a good example.

Representative MOORHEAD. Mr. Hardy, I am going to have to interrupt you because of the 5 minute rule that I imposed on myself. In my next round I would like to come back to you on this and to Mr. Georgine on the problem of the utilities, which I think is somewhat similar.

Congressman Brown of Michigan.

Representative BROWN of Michigan. Thank you, Mr. Chairman.

Mr. Watts, I was interested in your reference to figures which have been given to this committee before, about the deficit during World War II being 20 percent of the gross national product. I think you would be one of the first to agree that the gross national product at that time did not consist of the kind of Government spending that it does today, so that we are not really comparing valid figures when we are comparing the percentage of that gross national product with the percentage of the gross product national today insofar as deficits are concerned.

Mr. Georgine, in your testimony and your concern about housing, you have said we need to have 6-percent money to bring the housing industry back. It is my recollection that the period of time during which we had the greatest number of housing starts that we have had in the history of this country, in the 1971, 1972, and 1973 period, that in one of approximately 2.3 million housing starts, the average effective interest rate on those mortgages was something like 7.5 percent; and that the other year when we had approximately 2 million housing starts, the average effective interest rate on those mortgages was something like 7.64 percent.

How could we have had those kinds of housing starts at those interest rates if it takes 6-percent money today to be able to get the same kind of housing starts?

Mr. GEORGINE. Well, that housing was appropriated, the money for that housing was appropriated at a time when the interest rates were about 6.5 percent, and there is that much lag time in getting construction started and appropriating the funds and getting the plans going to build them.

Also, 430,000 subsidized units were started in 1971 and 330,000 in 1972. The interest rate didn't matter to the buyers or renters who had to pay only a certain percentage of their income each month for housing. Another factor in the last half of 1972 was a multifamily annual starts rate of over 1 million which included many luxury beachfront, second home condominiums that became a glut on the market.

Representative BROWN of Michigan. Well, I happen to disagree with you. I do not think it is the cost of money today that is the problem with housing, with the purchasing of housing, the inventory or the housing starts. I think it is consumer confidence. I think there is price resistance. I think the consumer does not know what is going to happen with the economy and so the consumer is delaying his decision. We have 400 and some odd-thousand single family dwellings in inventory. We have between 200,000 and 250,000 condominium units in inventory, and they are not moving. We have had a program under the GNMA tandem program, it takes the rate down to 7¾ or so percent. I have proposed a substitute, to the 6 percent program that the chairman of the Banking and Currency Committee has suggested and another new 7 percent program that he has suggested; I have suggested that we drop this down to 7½ percent.

Now, if it is the cost of money that is the problem in the housing industry, 7½ percent historically should be a low enough rate to be able to bring it back. But, I frankly feel that it is the problem of a new program every day that is getting every person who is a potential home buyer to say to himself, well, why buy today; tomorrow they will come up with a sweeter program. The worse thing in the world is to have the Senate say we are going to have up to a $2,000 tax credit or a 5 percent tax credit for the purchase of a new home, up to $2,000, but it will not become effective until the legislation is passed. So what happens? Everybody says I am not going to buy my home now because I will not get the $2,000 tax credit. So finally the committee saw the error of its ways and decided to make it retroactive.

But that kind of stuff in my estimation, is the problem with our economy today, especially in the home building industry.

Mr. GEORGINE. Well there is no question it is a problem with our economy. But I fail to see where you feel that the American public at this particular time has an option as to whether or not they want to buy a house. The American public is not buying houses today because they do not have the money to buy them. That is why they are not buying houses, and that is why houses are not moving.

Representative BROWN of Michigan. What is the amount of consumer debt today as compared with last year or the year before? It is lower.

Mr. WATTS. That is not money in the pockets of people who are going to buy.

Mr. GEORGINE. The cost of money in housing alone has doubled. In the past 10 years the cost of labor in housing has decreased.

Representative BROWN of Michigan. That is not true.

Mr. GEORGINE. That is true. I will show you facts and figures to show that.

Representative BROWN of Michigan. I would like to see them, because as of 10 years ago you were paying around between 5 percent and 6 percent for home mortgages. As of today you can get it under your tandem plans at 7½ percent; everybody, not just low income people. The tandem conventional plan is open to anybody.

I would respectfully suggest that when you are talking about the increase in cost of money, that the cost of money in the last 2 years has not gone up; the 9.3 percent that the overall cost in construction labor has gone up.

Mr. GEORGINE. Let me give you figures that were prepared by the Home Builders Association. In 1949 the cost of financing was 5 percent.

Representative BROWN of Michigan. 1949 is not 1965, 10 years ago.

Mr. GEORGINE. Wait a minute.

In 1949 the cost of financing, the percentage of the total cost of the house was 5 percent. In 1969 it was 7 percent. In 1974 it is 10 percent. Now from 1969 to 1974 it went from 7 percent to 10 percent. Now, the cost of labor, on-site labor in 1949 as 33 percent of the total cost of the house. In 1969 it was 17 percent. In 1974 it was 15 percent. Now where is the cost of the house going? It is in the cost of money. It is in the cost of financing. It certainly is not in the cost of labor.

Representative BROWN of Michigan. I do not think it is proper and I do not think you think it is proper to cite only on-site labor in determining the cost of these things and the cost of housing. I think it is labor overall. But I am not arguing that there has been greater productivity, I think, in the housing industry.

Mr. GEORGINE. The cost of materials has been reduced. In 1969 the cost of materials was 37 percent of the total cost. In 1974 it was 32 percent. That includes the cost of labor to make those materials.

So, if you want to talk about other than on-site labor costs, land has gone from 11 percent to 25 percent.

Representative BROWN of Michigan. There is no question but what that is where one of your biggest items is, in land costs.

Mr. GEORGINE. The biggest item is in money, but the overhead in profit has gone from 15 percent to 13 percent, so that has gone down also. Everything has gone down but the cost of land and the cost of money.

Representative BROWN of Michigan. Well, there is no question but that the cost of money has gone up some, but not anywhere near the figures you were talking about. Furthermore, we are not talking about 10 percent money now. We recognize that there was a problem in getting home mortgage credit. That is why we have come up with programs that now permit—there is a lot of takeout money yet at 7½ percent or 7¾ percent.

Mr. GEORGINE. It is laying there and the people are not taking advantage of it because it is too high and they do not have the money to do it. How much of GNMA has been used? How much is laying there to be used? How much of the last commitments have been used?

Representative BROWN of Michigan. They have taken out around—there has been better than $5 billion of it taken out. There are commitments that have not been called down, however; the $3 billion went immediately, you know that, the first $3 billion. But, because there are many now who have to pay an extra half a point to get the cheaper commitment, the cheaper money; that has not drawn down as much on the old.

What we are proposing is the 7½ percent program. That will not be that flexible a rate, so you will not have that Mickey Mouse that came about because of the Proxmire amendment.

Just one final question. One liberal, or you might say labor economist has told us that things like Davis-Bacon and some of these programs have been very counter-productive with respect to our whole economic picture. I presume you disagree with that?

Mr. GEORGINE. Yes, I do. How can you say something is counter-productive when you are saying that no one should get paid less than what is the prevailing rate in the area. How can that be counter-productive? How can that inflate the cost of anything when you are judging what the payment should be based upon what the prevailing rate is?

Representative BROWN of Michigan. Well what is wrong with a negotiated wage?

Mr. GEORGINE. Well, they will not pay the negotiated wage because they are rates that are not negotiated. So what they do is pay the prevailing rate which in some cases, in many cases as a matter of fact if you look at the labor records of the Labor Department, are below the negotiated rate.

Representative BROWN of Michigan. You mean, below an organized labor contract rate?

Mr. GEORGINE. Well, I do not know who else negotiates.

Representative BROWN of Michigan. Well, certainly because a prevailing wage, a prevailing rate is not supported to be the organized labor wage as it is supposed to be the prevailing wage with respect to that kind of activity in that community. Is that not right?

Mr. GEORGINE. That is how they judge it. I would say the prevailing rate should be the negotiated rate, because if somebody does not negotiate for those people, they are never going to get a decent living wage. But in any case, the law says the prevailing rate; and that is what we get, the prevailing rate. And many times it is lower than the union negotiated rate.

Representative BROWN of Michigan. How do you justify Mr. Heller saying this in his statements?

Mr. GEORGINE. I disagreed with Mr. Heller and sent him a letter telling him that he did not know what the hell he was talking about.

Representative BROWN of Michigan. My time has expired.

Representative MOORHEAD. Mr. Bolling.

Representative BOLLING. First I would like to say Mr. Long and I are sorry that we could not get here on time, and I will speak for him. We were in the Rules Committee trying to get some bills out, which we did rather promptly.

Gentlemen, I have had a chance to look at your statements, and I find myself in complete agreement with the thrust of them. The prime point that Congress and the administration, whether they know it or not, face today is, are we going to prevent whatever we are in, the most acute recession since the late 1930's and early 1940's, or an incipient depression, running into a real depression that we cannot drag ourselves out of.

I do not think anybody has any smart ideas about how to get out of a depression if we get in one. We think we know what to do about an acute recession, so I agree very heartily with your proposals. I think we are going to turn it around; I do not think we are moving quickly enough. I think we should have moved more rapidly in the Congress, but I think we will get it turned around.

But I would like to urge you, having said that, as soon as we get it turned around and as soon as your members are a little better content with their situation, although they will not be content enough, as they should not be, to start looking ahead this time to some of the things that we need to do to prevent this kind of thing happening again.

One of these statements indicates that the fault lies with this administration and the preceding administration. That is not fair. The fact of the matter is that the fault lies with this administration, the preceding administration, and the administration preceding that, and the fault lies with the executive and it lies with the Congress because we have had an economic policy that did not make any sense since 1965, a policy that failed to take into account the kind of thing that we were inevitably going to get into.

Now, I am not going to argue the details with any of you because I do not have any argument with you today. The thing we have to do is make sure we do not get into a depression and that we come out of the recession. We have got to do that now, but we are not going to have the luxury in the future of making the kinds of mistakes that we have made in the past.

We are going to have to do some things that are not going to be very pleasant. You talk about consumer confidence—sure they are not going to spend money. They are scared to death—scared to death that they are going to end up in a situation that they remember. They know that the politicians and the interest groups have not had any foresight. They know that it is ridiculous for us not to have a land-use program, and that is the reason for the increase in the cost of land

On the increase in that component, nobody has completely clean. hands on that one. They know that we do not do rational national planning because nobody has the guts to take it on. It is not too early, as we are moving as swiftly as we have the capability to reverse this situation. If we are guilty of overkill and get a little inflation at the other end of it that will be a whole lot better than going down the tube into a depression, but if we do not get smart, the depression is inevitable.

We will cure it this time, maybe, and we will not cure it the next time. I just wonder if you would comment on that. Do we not need some national planning? Do we not need a landuse policy? Do we not need to look down the road a little bit farther? Do we not need to have a Congress that looks at a budget rationally year in and year out?

Mr. WATTS. You are absolutely right on that, and I would like just to comment on that point, that Joe Beirne, my predecessor as president of the Communications Workers of America, called for national planning for the last 10 years and looking into the future, we follow up on that 100 percent continually. I am frankly very happy to hear you pointing to the fact that it was a lot of the past that is our problem catching up with us today because exactly what you are alluding to is the fact of the case.

There is no question about it. It is just unfortunate that within the most recent period of time decisions have aggravated the problem and precipitated and sort of propelled us into this very terrible situation.

Representative BOLLING. I am glad to hear you say that, and I am glad to hear you reiterate the commitment that your union has so long had to a broad-gaged approach because this country simply cannot survive unless we look down the track in a more orderly way than we have.

I am not talking about eliminating free enterprise, as it is called, or changing very much the mixed economy that we have, but we simply do not look down the road far enough to be sensible.

Mr. WATTS. Very true.

Mr. GEORGINE. I would agree with every comment you have made and subscribe to it and support it, with one exception, and that is, I think that you should know that in 1931 which was one of the bad years of the depression, there was 15 percent unemployment in the building trades. Now, we know that because we took a survey. That is the year that Davis-Bacon was instituted.

Representative BOLLING. Under Hoover.

Mr. GEORGINE. But it was 15 percent unemployment. Today we have 15.9 percent unemployment. I would just like to say that I think we are in a depression.

Representative BOLLING. There is no question that construction is in a depression. Automobiles are in a depression. God knows the service employees are always in a depression.

Mr. HARDY. We never got out of the last one.

Representative BOLLING. That is correct. I understand that, but I take it that you then agree that we are going to have to do better in the future than we have in the past?

We agree that we really have to punch it to get it done. Thank you.

Representative MOORHEAD. Mr. Long.

Representative LONG. Thank you, Mr. Chairman.

I would add one comment to what Mr. Bolling was saying. I do not necessarily disagree with him, but part of the problem, as I see it, with respect to the reaction of the particular situation reminds me of the old story that they tell in the South. Before you can lead a mule, you have got to hit him across the eyes with a 2 by 4 to get his attention, and it seems to me as though this is what happened with respect to the economic situation.

We found the executive branch doing away with inflation when the real problem was, What are we going to do about the coming recession? We had to catch their attention, so we started hitting everybody across the head with this 2 by 4 before we were able to get it turned around. Frankly, I think Congress has acted most responsibly for a legislative body which is by its own nature and its own make-up a body that does deliberate, and particularly when you have a bicameral system requires a substantial amount of time.

I think a lot of the time taken was in the turning around of the thing. Mr. Hardy, on this question of the 35-hour week and its relationship to the minimum wage, I can well see how the 35-hour week would have the virtue of spreading the available work around to more individuals. That, of course, is certainly obvious, but would not an immediate move to 40 hours pay for 35 hours work be basically a most inflationary move and particularly when we add it to the situation now, could that not cause us some problems?

You know, over time I think we can move in this direction, and as we look back, I guess we have done that historically because productivity gains are always pretty good, and they make the higher hourly real wages possible—at least, they have up to now. But a sudden move of this type at a time when we have really had, I guess, no productivity gains for certainly a year and a half or maybe 2 years—Would not that inevitably lead us to further price increases which would in turn erode the value of the wage gains? I do not think it is possible as a pragmatic matter to achieve that large a real wage gain—and a gain in money wages which is eaten up by the resulting inflation. All that would not do anybody any good, and it might really compound the problem.

Let me say one thing that I should have said in prefacing this: I have always been a strong supporter of the minimum wage, and to the extent I have been in Congress I have supported it, and I still support it, but an increase really from $2 to $3 really would be a 50-percent increase, and what would be the inflationary effect of that? Would it not have an even worse effect of putting a large number of people out of work, if we had that at this particular time?

And then if we relate that to consumer confidence—which I, along with Mr. Brown and Mr. Bolling, think is one of the real serious problems facing us. It is psychological to a great extent, which requires affirmative action in our regard to be able to restore that confidence. But the average wage in some service industries—hotel work, laundry work—was below the $3 an hour if you look at the December figure, which are the last ones I looked at.

The minimum wage will and should rise, but is this the time for substantial increase of the magnitude you speak of?

Mr. HARDY. Well, going to a 35-hour week, you are not going to increase the weekly wages of the average worker. You are going to reduce him by 1 hour a day, 5 days a week. Now, that is going to be no increase until some employer hires somebody, but the cost of reducing the hours from 40 to 35 and maintaining total man-hours is 14 percent.

Now, the whole thrust of the previous administration is and always has been to get the people we represent some relief because they spend the money. They cannot bank the money when they get it. It is spent for bread on the table; it is spent for potatoes and beans and food.

Now, if you increased the minimum wage to $3, these people are just going to exist. They are going to spend this, and I think that would help alleviate some of the unemployment immediately.

Representative LONG. That is basically part of the point I was making.

Mr. HARDY. But in the large industries where you have 500 or more—where you have these people in the big corporations, you will find that there is a tremendous number of people now that would not be able to work and create as much productivity now. They would have to hire people. They would have to.

Now, if they were to perhaps hire the full amount, and you took the figures of the Government, the total amount in there, why you would probably have far more than the 3 million jobs that I quote in my testimony here.

Representative LONG. Well, what if you take the 50 percent, and then you take the 14 percent, because that is the two that you would add together, going from the 40-hour to the 35-hour week, and the increase in the minimum wage, you would go basically——

Mr. HARDY. We estimated that if everybody's work week was reduced to 35 hours a week, there would be 12,814,000 jobs created. Now, the firms employing 500 or more would cut their hours to 35 hours per week, there would be 3 million additional jobs.

Representative LONG. Mr. Hardy, I am going to have to do like Mr. Moorhead did because I only have 5 minutes here in general. I gather that you do feel that the economy, and the economic situation now, could stand an increase in the minimum wage to $3.

Mr. HARDY. Definitely.

Representative LONG. And also a reduction in the work week from 40 to 35 hours a week with 40 hours pay without serious effects upon the unemployment problem? You do feel that?

Mr. HARDY. There is no problem with that.

Representative LONG. Mr. Georgine, if I could ask you a question—you were talking about this $2,000 tax credit on the purchase of a home, and as Mr. Bolling said, we were at the Rules Committee and did not have an opportunity to hear all of this. I have been over part of this, and I do not find in your statement any reference to this $2,000.

What is your feeling on that? Do you have a view on that $2,000 tax situation?

Mr. GEORGINE. I think that if it is limited to new homes, if the tax credit is limited to the purchase of new homes——

Representative LONG. How do you define new? The ones the first time somebody has moved into it? Or ones that construction is just now starting on?

Mr. GEORGINE. Those that have not been lived in.

Representative LONG. So to take the inventory and condominiums that overhang the market——

Mr. GEORGINE. Yes.

Representative LONG. Fine.

Thank you, Mr. Chairman.

Chairman HUMPHREY [presiding]. Well, let me first of all apologize to your witnesses for my not being here when you arrived today.

As you undoubtedly have been told, we are on a legislative program in the Senate—and there was a rule this morning adopted against Senators attending any committee meetings until we completed some of our legislative action—and I do not want to say that I am violating that rule, but I carefully sneaked out for a few minutes, but we should be back over there very promptly.

And I appreciate the comments from my illustrious House colleagues, but you have to understand that they sent us a tax bill which is about half the dosage that was needed, so we are attempting to get the prescription rewritten. We cannot change doctors; that is the problem, and so we have to rewrite the prescription here.

I will take just a very few minutes. There has been a question I think posed to you on basic overall planning by government. Some of us have introduced legislation from time to time trying to establish within the executive branch of government and hopefully as a counterpart in the legislative branch instruments or structures that would permit a better sense of direction in our economy.

There was once, in the time of Franklin Roosevelt, what we called the National Resources Planning Board. That planning board, for example, would have kept the Nation fully informed as to commodities that were in excess supply, commodities that might be in short supply. They likewise would have laid down certain fundamental guidelines for the direction of the economy.

There are those of us who believe that the time has really come now where this sort of thing is needed. I wonder if any of you have given any thought to this, or whether you have any opinion on it, and if so, would you care to express it here, and I will start with you, Mr. Georgine.

Mr. GEORGINE. I think it is the only way we are going to bring any sanity to this Government. I think it is a good idea, and I think we should do it.

Chairman HUMPHREY. Mr. Hardy.

Mr. HARDY. Well, you mentioned President Roosevelt, and I think that the whole problem here is that somebody had better look at the past history of that depression and better start following through.

I testified here about the 5 weeks waiting for the unemployment check and no food. In the WPA days when I lost my job as a radio operator aboard ship, I got a bag of groceries each week to carry me until I got a check from the WPA. This was instant relief, and I think the American Red Cross or the Government should look into this.

Now, these are people who want jobs. We can go planning and everything—you know in 1946 we said we have a program that the Government should be responsible for full employment and when everybody got out of the service, we said we would never see these days again. This is going to be the great America.

Well, here we are, right back where we started, and you wonder. Senator, you have been around as long as I have or longer, and I just say we are playing the same record over and over again, and we have made no progress here. We know the crisis. We knew we had to freeze prices in the food market. We knew we had to do something.

We had an OPA, and if they had froze the prices, we would not have had inflation, but they did not want to do it. You froze the wages, so you thought you had it under control, but you did not freeze the prices, and the prices went up.

When we were talking to Arthur Burns, we told him, you are creating a depression. But when you talk to Arthur Burns, and you talk to the administration, it is like talking to the walls.

Representative LONG. If the gentleman would yield, I would like to make one statement.

As you know, I ran for Governor of Louisiana, and any time of the day anybody comes up and complains to me about what is happening in Louisiana, well, I said, you all did not elect me. And I think this is the same situation Senator Humphrey's in, because he ran for President and, unfortunately, we did not elect him.

Mr. Hardy. It was not my fault.

Chairman HUMPHREY. Well, I would like to say I was not trying to substitute planning now for action, because you and I both agree on the necessity of very significant action and prompt action and the tax cut program that we are committed to.

I find myself on exactly the same wavelength without ever consulting with Mr. Meany on a $30 billion tax cut, which I personally recommended as chairman of the Joint Economic Committee. In fact, we recommend from $30 billion to $35 billion in our report, the public service job program, and a very expansive housing program, which I want to mention again to you, because I think this has a great rippling effect through the whole economy in terms of an upbeat in economic activity.

And then on top of that, I am glad you talked to Mr. Burns, because I have likewise talked to him.

Mr. HARDY. I told the whole cabinet. I told them to their face. I said it was not his team, and he should get rid of them. They have got a track record that is no good.

You know, it is March now, and we have the new Congress, and nothing is coming out. We have 300,000 public employment jobs to date. That is all we are doing. It is not getting down yet. We have got to push, and you used to say, get it going, get it going.

Chairman HUMPHREY. Well, Mr. Hardy, I could not agree with you more about the need for action, but I think I should say to you that one of the problems we have today as compared to what we had in other—and even going back to the time of the Roosevelt period in the depression, we always talked about those 100 days that Mr. Roosevelt had in which great things were done, but you had a President and an administration that was working with the Congress and that was pushing together on the same wavelength.

Today we have, whatever one may think of their programs, but there is an administration over here that has a separate set of programs, and then there is a Congress over here that came about the middle of January. You have a large number of new members. You had to get yourself organized and get started. I mean, that takes some time. In this body you just do not assign 535 Members to committees without a little hassle. People have all got their own idea of where they want to go, and then you come down, and the next thing we had to do—the first thing we had to do was to stop a program that we thought was going to be a disaster; namely, the energy program that had been proposed. I think that had it gone all the way through, it would have triggered even worse economic conditions than we have now. And then to get some hearings and get things underway here, that is no excuse for not doing it a little faster, but I put a dateline on when I was talking about these things of having the tax bill on the President's desk by the 1st of April, and we are going to have it there. And it is going to be a good one. It has got to be a good one.

We have got to have these public service jobs. We are going to get those over there too. And then we also have to have some of these rescissions on these impoundments—I mean, to overrule these impoundments, because there is a lot of—I see Mr. Georgine here with us—and we have these construction jobs that are just dying on the vine out here because of the holding back of a large amount of funds that have been duly appropriated by the Congress and have been desparately needed.

And then on top of all of this has been the ineffectiveness of the Federal Reserve System in meeting the recession. I remember, Mr. Hardy, you—and I am not sure whether you were there, Mr. Georgine, or Mr. Watts—but at the time of the so-called Summit Conference—and I remember what the labor movement was saying at that time, which was surely the fact of life, namely, look we are in a recession and, if you will recall, and I was one that made a summation for our side of the aisle, and I said that is exactly what we are, and started outlining what I think ought to be done.

But what happened was, we have not had a recession since January. That is not the case at all. This recession has been underway for better than a year, and it has been gaining momentum, and every week it gains more momentum, and the tragic headline, or the headline that you show of the tragic conditions in San Francisco is just symptomatic and symbolic of what we are facing with the rising tide of unemployment and not only unemployed.

And I think we are indebted to you and Mr. Meany in this instance, that the official figure is 8.2 or 7½ million—but as I have said, as a result of study in this committee, the actual figure is closer to 11 percent than it is 8.2 of unemployment because of people that have dropped out of the labor market. They have quit looking. Second, there are a large number of people on part-time employment who want full-time employment.

So we see this tragic waste of human resources, and it is to this, of course, that you men have directed your attention. The only reason I brought up the planning question, I think the time has come when we are going to have to look ahead and have a better idea of what is going on in this economy than what we have had in the past. We have had a tragic waste of human resources with a failure to look ahead, and we are having a tragic waste now of a failure to act promptly.

Mr. HARDY. Hubert, you will have to get it soon, because I cannot last much longer. You know, I have been waiting and waiting and waiting; I am getting too old now, and I would like to see it in my time.

Chairman HUMPHREY. Well, I think we will make it for you. I really do, George.

But I think the point that needs to be made here is you have indicated that a lot of the unemployment compensation benefits are beginning to run out and some of the built-in protections like our auto workers have on their funds are beginning to run out.

We have fortunately built in to our economy some what we call stabilizers, and I wonder if people—I wonder if we could ever really contemplate what would have happened without some of these stabilizers. It would have been a national tragedy, and I do believe it would be very good for our committee sometimes to just take a good look at what the impact would have been without those stabilizers, just to get a picture of it.

Well, I am not going to keep you any longer. You have been here a long time. And, George Hardy, you ended up on a very positive note with proper illustrative phraseology, and I want to thank you very much.

Mr. Watts, do you have anything further you would like to add?

Mr. WATTS. Well, not really, except that before you came in, in response to somewhat the same question on planning, I had pointed out that Joe Beirne for better than 10 years was a great advocate of national planning in a significant way, and I suppose that many could say today that if we had national planning, if we had been projecting into the future and making good guesses, as we should have been doing, that we would not be in the energy crisis that we are in, we would likely not be in the recession that we are in and we would likely not have the unemployment level that we now have. And all of that, I think, is a great testimony to the need for national planning.

Chairman HUMPHREY. Well, we are going to move ahead on it, but it is not going to supplant, may I say, the necessity for positive action here.

Mr. Georgine, I want you to take a look at a bill that I introduced on the National Federal Housing Bank to make available mortgage money at not higher than 7 percent and how to loosen up the mortgage market.

I personally believe, and I repeat it again, as I said at a dinner honoring you—and what a wonderful testimonial that was—that there was no way out of the recession as long as housing and construction is in a depression.

Mr. HARDY. I thought that was the Humphrey dinner. [Laughter.]

Chairman HUMPHREY. Well, I enjoyed it, George.

Thank you very much.

[Whereupon, at 12:25 p.m., the committee adjourned, subject to the call of the Chair.]

APPENDIX

Statement of the United Rubber, Cork, Linoleum, and Plastic Workers of America, AFL-CIO

THE GENERAL ECONOMY

There can be no question that the economy of the United States is in the most serious trouble since the days of the Great Depression. The current recession, already the most prolonged and deepest of the post-World War II period, began more than a year ago. Conditions will continue to deteriorate unless corrective measures are put into effect quickly.

The critical nature of our economy can readily be measured by many economic indicators.

1. Real Gross National Product declined in 1974 after having increased in every other year since 1970.

2. In December, industrial production fell 2.8 percent, following a decline of 2.5 percent in November and a slide of 4.6 percent in the preceding twelve month period. Declines in production were registered in *all* durable and nondurable manufacturing groups, except foods and tobacco, in both November and December. According to the Federal Reserve Board, U.S. factories were only running at 75 percent capacity in the fourth quarter of 1974.

3. The Consumer Price Index, fueled by the worldwide oil crisis, shortages in many other areas, high interest rates and uncertainty regarding possible price controls, rose by 12.2 percent last year. (In 1973, the CPI shot up by nearly 9 percent.) This led to a 5.4 percent drop in the purchasing power of the average worker's weekly take-home pay in 1974. The high rate of inflation has continued thus far in 1975 as the CPI for February stood 11.1 percent above February 1974, further deteriorating the average worker's purchasing power.

4. The housing industry and the auto industry are experiencing economic difficulties which can only be classified as a depression. Sales of new homes and new cars are lagging far behind their normal levels and the massive unemployment in these two industries is having adverse effects on related industries. In January, the rate of unemployment was 23 percent in construction and 24 percent in the auto industry.

5. Overall unemployment in the United States, at an official BLS rate of 8.2 percent, in both January and February, 1975, stands at the highest level since 1941. Bureau of Labor Statistics figures, because of their very definition, have never presented the entire picture of unemployment in this country and the February 1975 figures clearly point out this inadequacy. According to BLS definition, an individual must be actively seeking work to be counted as unemployed. If the individual becomes discouraged and simply stops looking for a job, he is definitionally out of the labor force and no longer among the unemployed. In February, even though the 8.2 rate was unchanged from the month before, 1,120,000 more workers were without employment—540,000 who actually lost their jobs and 580,000 who dropped out of the labor force believing, and rightly so, that no jobs were available to them. According to the AFL-CIO's estimate, if the labor force had not declined as it did, the unemployment rate for February would have been about 8.8 percent.

6. Manufacturing and construction continue to be the hardest hit although the contraction of jobs is spread throughout industry. According to a recent issue of *Business Week*, 80 percent of all industries reported a reduction in employment between January and February. Manufacturing unemployment now stands at 11 percent, having risen for the last nine consecutive months. In February 1974, in comparison, the unemployment rate in manufacturing was 5.2 percent. There are currently only 18.3 million workers employed by the nation's factories, the smallest number in nearly ten years.

THE RUBBER AND PLASTICS INDUSTRY

One specific area which has been hit hard this year is the rubber and plastics industry. For the month of January, the Bureau of Labor Statistics released figures showing 13.8 percent unemployment in this industry. The United Rubber Workers, however, has just concluded an internal survey of layoffs among its membership which shows a considerably worse situation. The URW is structured into seven districts involving the U.S. and Canada. For those six districts in the United States, the URW had approximately 36,000 members on layoffs as of early March. That represents approximately 20 percent of total U.S. membership. In addition, many of our members are working short workweeks.

While all areas of our membership have been affected by the present economic downturn, a substantial portion of the total layoffs have come in the tire and other automotive equipment segment. In 1974, the rubber industry, which depends on orders from Detroit for about 28 percent of its tire business, saw original equipment shipments of automotive tires drop by 14.4 million units from the previous year. The replacement market fared just as badly as 1974 shipments fell by 19.8 million units. While domestic shipments declined dramatically last year, exports increased by 4.6 million units leaving a net decrease in 1974 shipments of 29.6 million units.

The downturn has hurt some rubber companies more than others. At this point, the company most affected is Uniroyal and this is because Uniroyal is much more dependent on original equipment sales than are the others.

The URW represents the production workers at five Uniroyal tire plants At the time of the 1973 negotiations, these Local Unions had approximately 9000 members. Today, Uniroyal has over 3300 hourly workers on layoff and most of these are from the following tire plants. In Detroit, URW Local 101, which had about 2600 members on the job in 1973 now has around 1600 on layoff. In Los Angeles, URW Local 44 has over 50 percent of its members on layoff. This plant normally has a production workforce of 1200 people. It is barely operating. In Chicopee Falls, Massachusetts, URW Local No. 11 has 31 percent of its members off the job out of a normal workforce of 1600. Even at Opelika, Alabama, the newest of the Uniroyal tire plants represented by the URW, layoffs are running at roughly 20 percent of workforce and in February, the entire plant shut down for two weeks.

The other companies, because of less reliance on Detroit, haven't experienced layoffs of this magnitude, however they have definitely been affected. In some instances, plants have been closed for a period of time or management has shaved a couple of days off the workweek in an effort to keep outright layoffs to a minimum. Even so, Firestone Tire & Rubber Company has about 1400 hourly people on layoff in URW-represented tire plants out of a regular workforce of about 17,000 for a rate of 8 percent. Goodyear is faring about the same, however some of this company's plants have been hit much harder than others. For example URW Local No. 131 in Los Angeles currently has 27 percent of its members off the job and URW Local 878, in Union City, Tennessee has 18 percent on layoff. B. F. Goodrich, the last member of the "Big Four," is experiencing heavy layoffs at its plants in Los Angeles—URW Local 43 (22%); Oaks, Pennsylvania—URW Local 281 (18%) and moderate layoffs and short workweek schedules at remaining plants.

All of this is not to imply that tires is the only sector of the industry that has been adversely affected by the present crisis. Goodyear, for example, sold about $400 million of hoses, belts and other automotive items to the auto makers last year, but they do not expect to achieve the same level of sales in 1975 as is demonstrated by the current layoff situation in three of the company's automotive products plants—1) URW Local 744 (Logan, Ohio) has one-third of the workforce laid off 2) URW Local 200 (St. Mary's, Ohio) also has one-third on layoff and 3) URW Local 861 (Luckey, Ohio) has 25 percent on layoff.

It is very apparent from these figures that the rubber industry has been hurt badly by slumping auto sales and by a reluctance on the part of consumers to even replace their old worn-out tires, a consequence of their general decline in purchasing power.

Obviously, our membership has been hit in areas other than automotive equipment, however, rather than detail job layoffs local-by-local, it should suffice to restate the very ominous fact that 20 percent of URW membership is now laid-off with no real solid prospects of getting back to work in the near future.

RECOMMENDATION

If these problems of the rubber industry are to be solved, the U.S. economy must be turned around. In the five other recessions which have occurred since the Second World War, recovery has been the result of tax cuts, easier credit and more federal spending.

At this point in time, the House has already passed a bill calling for tax relief in the approximate amount of $21.3 billion. This is definitely a step in the right direction, however it is our position that a tax cut in the area of $30 billion is now necessary to spur the economy and create the jobs needed to put America back to work.

We agree with the House emphasis on aiming the tax relief to provide more purchasing power to low- and middle-income citizens. This type of approach is the only one which is reasonable in light of the amount of suffering through reduced purchasing power and increased unemployment to which these classes have been subjected. The "so-called" trickle-down theories of the Administration totally miss the point in today's economic situation.

The URW supports the position taken by the AFL–CIO in its testimony before the Senate Finance Committee on March 12, 1975 on the Tax Reduction Act of 1975. However, while an effective tax reduction program will do much to get the economy moving once again, it is by no means the sole answer to the grave problems faced by the United States economy.

In January of this year, the AFL–CIO General Board adopted a 6-point "Action Program to Put America Back to Work," a program with which the URW concurs. One of the points was an immediate tax cut for low- and middle-income taxpayers. The other five points included:

1. Immediate government measures to reduce America's dependence on imported oil and establishment of a fair and equitable system of allocation and rationing.
2. Immediate reduction of interest rates and allocation of credit for high-priority social and economic activities.
3. Immediate, massive federal efforts to create jobs for the unemployed.
4. Immediate action to protect existing jobs from unfair foreign competition.
5. Immediate government assistance to the unemployed to minimize their hardships.

The details of this program have already been presented to Congress and we ask that they be included, by reference as part of our testimony before this committee.

CONCLUSION

The URW is greatly concerned with the health of the American economy. It cannot be allowed to become any more critical. The American economy must be given a boost as quickly as possible. We hear talk from the Administration that recovery is near, however monthly economic indicators continue to suggest precisely the opposite. We strongly urge that Congress adopt the basic program put forth by the AFL–CIO as the most direct and logical means of turning the economy around.

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