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REAGANOMICS EFFECT ON LABOR

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REAGANOMICS EFFECT ON LABOR

TUESDAY, JULY 20, 1982

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

The committee met, pursuant to notice, at 2 p.m., in room 2359, Rayburn House Office Building, Hon. Edward M. Kennedy (member of the committee) presiding.

Present: Senators Kennedy and Sarbanes; and Representatives Reuss and Richmond.

Also present: James K. Galbraith, executive director; Mary E. Eccles, David Smith, and Mark R. Policinski, professional staff members.

OPENING STATEMENT OF SENATOR KENNEDY, PRESIDING

Senator KENNEDY. The committee will come to order.

The chairman of the Joint Economic Committee, Congressman Henry S. Reuss, is unavoidably detained on the floor. He will be with us in just a few moments. He has urged that we move ahead with our hearing this afternoon.

The Senate is now considering the tax legislation and the reconciliation legislation and a number of my colleagues will be coming and attending the hearing during the course of the afternoon, but we will commence and I will make a brief opening statement.

It will be brief because we will look forward to listening to AFL-CIO President Kirkland, who offers us an all-too-rare chance to get out underneath the blizzard of administration press releases and learn firsthand what the impact of President Reagan's policies has been on people who work for a living.

For many who appear before this committee 10-percent unemployment, 17-percent interest rates, and double-digit inflation are abstractions. These numbers do not tell about the frustration of unemployment lines or the pain that comes from dashed hopes of a better life for one's family.

Today's testimony will, I'm sure, remind us that the real message of the Reaganomics wrecking ball is its impact on those tens of millions of citizens whose hard work and ingenuity make this economy go, but who do not have the money or the time to invent special interest tax loopholes for themselves; who are struggling to balance their checkbooks and pay their bills and do not understand why a deficit is all right when it is the result of huge tax cuts for wealthy individuals and giant corporations. And today's testimony will remind us that during the early part of this year, when the

President and his men were cheerfully predicting a spring surge, there were wiser voices.

On February 15, the AFL–CIO executive committee observed that:

> The catastrophic economic policies the administration has created were made even worse by a cruel and regressive ideology which rewards the rich, forgets the jobless, punishes the minorities, ignores the poor, and destroys the protections of the working people, the elderly and the needy.
>
> The President's 1982 state of the Union message and his budget message add up to a total disregard for human needs of the economic and social costs of high unemployment and recession. Nothing in his proposal will help jobless workers or hasten economic recovery.

They were right, as we have so painfully witnessed. In that statement they called for a bold alternative to Reaganomics consisting of fair taxes, an aggressive jobs program, monetary policies designed to fuel, not choke off, growth. They were right about that, too, and I look forward to hearing Mr. Kirkland expand on those thoughts today.

Senator Sarbanes.

OPENING STATEMENT OF SENATOR SARBANES

Senator SARBANES. Thank you, Senator. I'm pleased to join with you in welcoming Lane Kirkland to the committee today.

I think it's clear that our national economy is in the most serious position it has been in since before World War II. We now have an unemployment rate of 9½ percent, the highest since 1941.

Business bankruptcies are at the highest rate at any time in the postwar period. We continue to confront high interest rates. Thirteen States are now in the red with respect to unemployment benefits. Millions of working men and women across the country have not only lost their jobs but are now losing whatever they managed to put together over a lifetime of work: their homes, their solvency, the opportunity to educate their children.

Chairman Volcker of the Federal Reserve Board appeared before the Senate Banking Committee this morning. He indicated at the outset that as he understood it the monetary policy which he was pursuing was in conformity with the wishes of the administration.

He has not met with the President with respect to monetary policy since last February. He has met with advisers to the President and it's his understanding that the policy which he is pursuing—which the Board is pursuing—is consonant with the wishes of the national administration.

We heard a great deal of talk there about the hopeful expectations, opportunities for new developments, but I think the closest tie to reality contained in the chairman's statement was when he said that we were confronting the crumbling foundations of a continuing recession.

And I think that is what is happening to the economy, and I think the administration needs to recognize that and to address it.

They can no longer be like Nero fiddling while Rome burns. There is devastation across the land, and we welcome the wise counsel which I anticipate we will receive this afternoon from Lane Kirkland.

Senator KENNEDY. Please proceed, Mr. Kirkland.

STATEMENT OF LANE KIRKLAND, PRESIDENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO), ACCOMPANIED BY RAY DENISON, LEGISLATIVE DIRECTOR; AND HENRY SCHECHTER, ASSOCIATE DIRECTOR OF RESEARCH

Mr. KIRKLAND. Thank you, Senator, my name is Lane Kirkland. I'm president of the AFL-CIO. With me today, Ray Denison, legislative director of the AFL-CIO, and Henry Schechter, associate director of research of the AFL-CIO.

I appreciate this opportunity to express the very deep and serious concern of the AFL-CIO about the economic condition of the Nation.

Trade unionists find no consolation in the fact that we foresaw the consequences of this administration's economic policies. As we warned in February 1981, this devastating recession is the inevitable result of those policies.

We seek today not so much to rehash the past as to urge you to amend the future. We ask you to take the actions necessary to alleviate the suffering of the American workers.

To make our case for what went wrong, Mr. Chairman, we will document the path of the Reagan recession in order to urge the Congress not to continue further down that path. But I will confine much of that to the lengthier statement I have submitted to the committee. It includes several appendices, including some newspaper accounts of the distress around the country.

We can hope for no remedy from an administration still engaged in destroying jobs. Last week's congressional override of the veto of the extension of the manufacturing clause in the copyright clause in the copyright law offers some hope that the Congress may be becoming more sensitive to the human consequences of the loss of skills, the collapse of the enterprises and the disappearance of job opportunities.

In December 1981, the Director of the Office of Management and Budget, David Stockman, confirmed our belief when he said:

> I've never believed that just cutting taxes alone will cause output and employment to expand * * *. I mean, Kemp-Roth was always a Trojan Horse to bring down the top income tax rate.

In his Atlantic magazine interview, Mr. Stockman said:

> It's kind of hard to sell "trickle-down," so the supply-side formula was the only way to get a tax policy that was really "trickle-down." Supply-side is "trickle-down" theory.

On March 4, Mr. Stockman told the Chamber of Commerce that—

> * * * high interest rates, unemployment, lost output, financial strains and rising bankruptcies, huge budget deficits * * * are all a piece of the same cloth.* * * They are all part of the cure, not the problem.

On June 9, Chairman Murray Weidenbaum of the Council of Economic Advisers acknowledged in testimony before this committee that at inaugural time 1981 the administration had a projection of the dire consequences of its economic actions. We wish you well, Mr. Chairman, in your continuing quest to make that report public.

On June 17, Richard DeVos, the finance chairman of the Republican National Committee, called the recession "a beneficial thing and a cleansing thing for this society."

On June 28, Paul Samuelson, the Nobel-Prize-winning economist, summed it up for the Toronto Financial Post:

> The recession was caused by Reagan, and is a boomerang from the oversell of supply-side economics * * *. We are for the first time since I was a boy graduate student running in a system which has the feel that it has no controls * * *. What I fear is that we keep building in higher and higher unemployment rates as to what's tolerable and natural * * *. It's a self-fulfilling prophecy, the longer you're out of work, the less trained you are and the less employable you become * * *.

Mr. Samuelson's view from the academic pinnacle is more than matched by a few words from James Whittaker, who has first-hand knowledge of the consequences.

AMERICAN WORKERS' PLIGHT

Mr. Whittaker is a 42-year-old millwright who was laid off when the Youngstown, Ohio, plant of United States Steel was shut down 2 years ago. The Wall Street Journal reports that Mr. Whittaker breaks down and cries when he remembers how much his wife and three children have lost in these 2 years.

His unemployment insurance payments have run out, and now they are living on welfare and food stamps. Mr. Whittaker sold his gun collection and his tools to keep his family going.

He lost his pickup truck after he fell behind on the payments. He went to Arizona for a promised job which disappeared when he got there. He plans to go to Texas to look for a job. His daughter needs an operation he cannot afford. He makes a few dollars here and there by painting houses and doing odd jobs.

"I lie awake at night trying to figure out what the hell we're going to do next," he says, as he takes a pill to fight his high blood pressure. "Sometimes I get so damned discouraged."

Mr. Chairman, that's just one story of an American worker without a job. And there are 10.5 million of them out of work by the official statistics.

When you add in also those who are forced to work part time and those who have given up entirely on the desperate and fruitless search for work in their communities, you get a more realistic total of 18 million Americans suffering job or income loss.

Mr. Whittaker, then, and millions like him are the victims of the misguided policies which in the past 17 months have pushed us into the worst recession since the Great Depression of the 1930's. And the July issue of the newsletter "Inside OMB" guarantees it will continue. It laid out the OMB strategy for defending the policy of continuing to push the so-called free market approach.

The supply-side slogans and the hollow promises of the Reagan economic program conceal a massive transfer of income away from workers, away frrom low- and middle-income Americans, into the pockets of the wealthy and the large corporations.

They add up to class warfare against the disadvantaged, against the poor, against the working people of America. They deplete the public purse of resources needed for vital public purposes. While putting millions out of work, they have planted the seeds of future inflation. They are unfair and divisive of the social stability of the Nation.

The AFL-CIO calls on Congress to reverse the Reagan administration's economic policies and to set the Nation on a road to full employment and balanced economic growth. That program must include antidotes against Reaganomics on all four of the basics of budget, taxes, monetary policy, and Federal regulations.

On the budget, last year's discriminatory budget cuts tore deeply into the safety net Americans have a right to expect. This year the Congress has moved feebly and haltingly to repair that damage, only to be thwarted by the President's recurrent vetoes of supplemental appropriations.

Among the most glaring examples was the President's veto of the $3 billion housing bill last month that stopped 250,000 houses from being built and 500,000 jobs from being created. By that and other vetoes the President has not only cut off Congress from taking the job-creating approach necessary, but has similarly cut off repair of the safety net for the unemployed and the poor and made a farce of the budget process, which lurches from deadline to deadline, with 11th hour measures to fund our Government and its essential functions.

TAX REFORM NEEDED

Suffice it to say that the 1981 tax giveaway of more than $700 billion was the most irresponsible fiscal act of my lifetime. Apparently the Congress, or at least the Senate Finance Committee, has begun to come to its senses on limited topics like the leasing of corporate tax breaks. It is time for tax reform that moves the Nation closer to tax justice and closer to adequate tax revenue.

To counteract the budget crisis brought about by President Reagan's irresponsible 1981 tax cuts, Congress must enact a tax program along the lines recommended by the AFL-CIO. This tax program will raise $150 billion in revenue over a 3-year period and will move the Nation's tax structure closer to fairness and tax justice. And at all costs our Federal tax must retain the essential progressive principle of ability to pay. It must not include such schemes as value-added taxes or one flat rate for everybody, regardless of income level.

TIGHT MONETARY POLICY

The 1981-82 Reagan recession is only the latest and worst example of the danger inherent in using a tight-money, high interest rate policy to combat inflation without regard to the consequences.

We must end the rule of tight money as the chief instrument of national policy. Other industrial nations have used credit controls in recent years to help keep interest rates, inflation, and unemployment at low levels, while assuring that capital flows into productive, cost-reducing investments. Unfortunately, the Credit Control Act expired on June 30, 1982.

It must be revived. The United States needs credit controls to speed up recovery, maintain stability, and make American industry more productive and more competitive.

In addition to sound budget and tax and monetary policies, the nation needs a comprehensive antirecession program to stimulate the economy and create jobs.

The AFL–CIO supports legislation approved by the House Education and Labor Committee to provide jobs for long-term jobless workers in areas of the country with high unemployment. This bill provides for the sorely needed improvement of the public infrastructure.

Jobs as well as job training—free of business domination of the structure—must be available for workers without jobs, including those workers displaced by major layoffs and plant closings. Any new jobs and training system must maintain the basic federal responsibility and direction and build on successful programs of the past. Legislation is also needed to create a new Reconstruction Finance Corporation to rebuild the Nation's industrial base and limit job-destroying imports.

We urge Congress to extend the current 39-week maximum unemployment insurance benefit duration to at least 65 weeks for unemployed workers who have exhausted their regular and extended benefits. We also urge Congress to restore the national trigger, include extended benefits recipients in the calculation of the triggers and maintain or lower the present state trigger levels.

JOB SAFETY AND HEALTH

There is a role for government in our lives—and indeed Government is essential to a just and humane society. We ask that the Congress now—we would hope—no longer blinded by the purported mandate of a new administration, take a clear look at the protections essential to workers' lives as regards job safety and health, and to their standards through prevailing wage and child labor laws. We have sought judicial relief from some of the excesses of executive fiat in recent days, and will continue to ask the legislative branch for safeguards in the marketplace and in the community as well as on the jobsite.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Kirkland, together with attachments, follows:]

Prepared Statement of Lane Kirkland

The AFL-CIO has very deep and serious concerns about the Reagan recession and the economic policies of the Reagan Administration.

The slogans and the hollow promises of the Reagan Economic Program are a smokescreen to conceal a massive transfer of wealth and income away from workers, away from low- and middle-income Americans, to the pockets of the wealthy and the profits of big corporations.

The blatant policies of the Reagan Administration are threatening the jobs and the living standards of America's working men and women and endangering the sense of fair play and social justice that binds and unifies America.

These Reagan Administration policies add up to class warfare against the disadvantaged, the poor and the working people of America. They put people out of work and aggravate inflation. They add to inequity, unfairness and divisiveness. These policies must be exposed, the damage minimized and the course reversed.

The Reagan economic program requires more sacrifice from those who have little, to give to those who already have much. It substitutes unrestrained market power for social responsibility and human concerns. It shortchanges sound economic growth by cutting back programs to achieve energy independence, rebuild the nation's transportation system, revitalize urban areas, and safeguard the environment.

Lost jobs, lost income, insecurity, human suffering, and loss of human dignity are the price American workers are paying for the disastrous, job-destroying economic policies of the Reagan Administration.

Full employment -- a good job at decent pay for every American willing and able to work -- remains a distant but persisting dream in 1982. In a sad commentary on the commitment of the nation expressed in the Humphrey-Hawkins Act to reduce unemployment to 4 percent by 1983, unemployment at 9.5 percent is more than double that promised goal.

In its haste to respond to the demands of the rich and of big business, the Reagan Administration has thrown this country into its worst recession since the Great Depression of the 1930's.

The misdirected policies of the Reagan Administration have produced this catastrophe.

This is no accident. I believe the recession is the intended result of this Administration's economic policies. First, David Stockman, director of the Office of Managemeng and Budget, confirmed it in his Atlantic magazine interview of December 1981. Then Richard DeVos, the Republican National Finance Chairman, called the recession "a beneficial thing and a cleansing thing for this society." I have not heard President Reagan disavow this foolish, perverse, and cruel position.

The Administration cannot blame anyone else for this recession. The recession was started in July 1981 with Reagan's job-destroying, tight-money, budget-slashing policies.

More Americans are suffering economic hardships now than at any time since the Great Depression.

Ten million five hundred thousand American workers are officially unemployed -- an increase of 2.5 million jobless workers since July a year ago. The unemployment rate of 9.5 percent is the highest since 1941, and the total unemployed, 10.5 million, is the most since 1935.

Worse is yet to come. Past history tells us that unemployment continues to rise even after upturns in sales and output. And it will certainly rise if we don't get a general economic upturn.

And economic projections from the Organization for Economic Co-operation and Development (OECD), tell us that unemployment in the United States will average 10 percent in 1983.

In addition to the officially recorded jobless workers, many more millions of workers and their families are losing work-time and income while threatened with imminent layoff as big, medium, and small-sized business firms retrench or go broke.

The reality of unemployment is much worse than the official statistics. When you add to the official unemployment figures those who are forced to work part-time and those who have given up entirely on the desperate and fruitless search for work in their communities, you get a more realistic total of at least 18 million Americans suffering job loss and income loss.

Black American workers are already suffering depression levels of unemployment with more than 18 percent, or one out of every six minority workers, out of work and more than 50 percent of the nation's black teenagers. .

The average monthly unemployment rate disguises the heavy impact of the recession, unemployment, job loss, and income loss on blacks and other minorities.

One out of every nine Hispanic-American workers is jobless.

Even these horrendous numbers do not tell the full impact of recession on unemployment, on workers and their families. Unemployment figures are not a count, only a poll. They are a snapshot picture, capturing the equivalent of just one frame in a movie and thus out of date and inaccurate by the time it is developed and printed. The full movie of 1981 and 1982 will tell an even more tragic story.

Over the 12 months of 1982, more than one-fourth of the workforce -- close to 30 million workers -- will suffer some unemployment, and nearly half of all workers will feel the direct impact of the recession through job loss or cuts in hours and earnings.

More than two million jobless workers have seen their unemployment compensation benefits run out during the past 10 months. Cutbacks in extended unemployment insurance benefits demanded by the Reagan Administration and enacted by the Congress have deprived millions of unemployed workers of desperately needed unemployment compensation benefits despite the highest levels of unemployment since the Great Depression. Another 600,000 jobless workers receiving extended benefits will soon be faced with a total loss of income

As the result of the elimination of the national trigger for extended unemployment benefits and the exclusion of extended benefit claimants in the calculation of state triggers, more than 1 million jobless workers who exhaust regular benefits either will receive no extended benefits or will have their extended benefits reduced in the current fiscal year. In fiscal 1983, various restrictions will result in a cutoff or reduction in extended benefits for more than three million unemployed workers.

In short, workers everywhere face the threat of unemployment, loss of income, and loss of unemployment insurance protection because of the Reagan economic package and the resulting recession. Those who lose their jobs can expect a long and painful spell without work and without adequate unemployment compensation.

Many job-losers also lose health insurance protection for themselves and their families. This means workers and their families often have to do without or postpone needed medical care until their health problems are more serious and more costly to correct.

Instead of acting to counter the deepening economic decline, the Reagan Administration has cut unemployment insurance benefits, reduced employment and training programs, and welfare assistance at the same time its federal budget cuts have destroyed more than one million jobs putting more people on the streets in search of help that's not there.

Tight money and exorbitant interest rates are killing home construction and home buying and are destroying the dream of millions of Americans to own their own homes. Home mortgage delinquencies and foreclosures are at record highs. Credit collection and repossession agencies are working around the clock.

Business bankruptcies are at the highest level since the Great Depression. In the first six months of 1982 more firms filed for bankruptcy than in all 1980. Every week more than 440 businesses, large and small are going bankrupt. Thousands of savings institutions are in shaky condition and in danger of going under.

Corporate profits are dropping. Manufacturing is operating at only 71 pecent of capacity. Business investment has been going down since early 1981 -- despite the Reagan Administration's huge tax giveaways to business which were supposed to stimulate a job-creating investment boom.

The latest Commerce Department survey shows 1982 business spending on plant and equipment -- when measured in constant dollars -- will be down 2.4 percent from the previous year.

In states and cities around America, bridges, streets and highways, water, sewage and sanitation systems are falling apart, and the workers who used to maintain and operate tham are being thrown out of work.

Private and public social agencies are being overwhelmed by the demand for services they can no longer supply because of budget and manpower cuts.

School systems, police and fire-fighting services are deteriorating, while those who need them and those who once provided them are joining each other on the unemployment line.

So much for supply-side incentives, which have been a disaster for America and American workers.

The tight-money policy hits hardest the vital auto and construction industries which together directly and indirectly account for one out of every three jobs in this country.

Small business and farmers have also gone down in record numbers under the Reagan recession steamroller. And hard-working Americans who have put their savings into a piece of land or a new enterprise are being forced into bankruptcy at record rates.

The consequences have not been confined to specific states or regions. For example, some of the states with the highest unemployment rates range from the Great Lakes to the Gulf of Mexico, with Michigan at over 14.3 percent and Alabama at 13.2 percent, and from the West to the East, Washington State at 12.3 percent and West Virginia at 10.9 percent. The so-called Sun Belt is far from immune with South Carolina at 11.4 percent, Tennessee at 10.6 and Mississippi at 10.

The terrible economic waste of productive human resources and the underutilization of the nation's industrial capacity bring tremendous economic losses. Every 1 percent of unemployment, every 1 million workers without jobs, is costing the federal treasury $30 billion: $25 billion in lost taxes and $5 billion in additional unemployment compensation payments. The cost to the nation approaches $100 billion in lost output of goods and services for every 1 percent of unemployment.

The size of the nation's unemployment problems when measured in millions of people and billions of dollars begins to numb the mind and erase the fact that these numbers represent real people. To these people and to their families, unemployment is a personal human tragedy. Let me tell you about just one family. We can see some of the consequences of the Reagan recession in the story of James Whittaker.

Mr. Whittaker is a 42-year old millwright who was laid off when the Youngstown, Ohio, plant of U.S. Steel was shut down two years ago. The Wall Street Journal reports that Mr. Whittaker breaks down and cries when he remembers how much his wife and three children have lost in these two years. His unemployment insurance payments have run out, and now they are living on welfare and food stamps. Mr. Whittaker sold his gun collection and his tools to keep his family going. He lost his pickup truck after he fell behind on the payments. He went to Arizona for a promised job which disappeared when he got there. He plans to go to Texas to look for a job. His daughter needs an operation he cannot afford. He makes a few dollars here and there by paining houses and doing odd jobs.

"I lay asleep at night trying to figure out what the hell we're going to do next," he says as he takes a pill to fight his high blood pressure. "Sometimes I get so damned discouraged."

Faced by the kind of tragedy Mr. Whittaker faces, unemployment compensation or welfare offers only temporary or partial relief. And even these traditional safety nets for the unemployed have been seriously eroded and weakened by the severe cuts in the fiscal 1982 federal budget.

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While President Reagan tells us the nation's recovery is just around the corner and says "Give us more time," a newsletter reports the Office of Management and Budget is laying out a strategy of sticking to a so-called free market approach and explains how to hunker down, take the heat and make the best possible case for perserving in current policies.

In July 1981, President Reagan's Treasury Secretary predicted the U.S. economy would turn up in late 1981. Later, he said the economy would come "roaring back" in the Spring of 1982. In February 1982, the chairman of President Reagan's Council of Economic Advisers predicted the economy would turn up in the second quarter of 1982.

I wonder if these three Reagan Administration officials are wrestling with their conscience as they continue postponing to the even more distant future their scenario of an economic upturn and a return to happy days.

Now is the time for Congress to enact an honest, realistic program that meets America's needs, including anti-recession, job-creating programs and stimulation of the private sector. It is time for tax reform that moves the nation closer to tax justice and closer to adequate tax revenue.

What have the rich done with their big tax cuts and new loopholes in the tax laws? And where are the big corporations putting the dollars they no longer send to the U.S. Treasury?

Is there more investment in job-creating plant and equipment?

Is there any truth to the so-called theory of supply-side economics? No. As David Stockman said in December, 1981,supply-side economics was "always a Trojan Horse to bring down the top (income tax) rate."

The President's "new federalism" should not divert public attention from the Administration's blatant economic policy failures. His "new federalism" would thrust national responsibilities upon the states which are already overburdened and remiss in the discharge of their present functions. He would undercut the Constitution and turn America back to the chaos of the Article of Confederation.

The list of victims of Reaganomics gets longer every day for this Administration has cut vital social programs that were built up over the last 50 years to protect the old and the sick and the deprived in our society, the weakest whom the strong must help. To disguise real intent, the Reagan Administration has put a new label on programs like Social Security, to call it "an entitlement program," so they can target it for the budget-cutters before the people wake up to the real meaning of the campaign.

These are the same folks who cut out training programs and reduced unemployment benefits just as the demand for new skills is rising and old ones disappearing and more and more workers are being thrown out into the streets.

Homebuilding is as bad off as any segment of our depressed national economy. Among the 10.5 milliion Americans out of work are about 2 million in construction related jobs. That's why congress passed the $3 billion housing bill to provide mortgage interest assistance for moderate income home-buyers and thus to stimulate housing construction.

President Reagan's veto of the housing bill last month stopped 250,000 houses from being built and 500,000 jobs from being created. That veto is a tragedy for America.

The ravages of the Reagan recession on the American economy are spelled out in detail in the AFL-CIO Alternative to Reaganomics.

AFL-CIO Program

The AFL-CIO calls upon the Congress to reverse these economic policies and set the nation on a path to full employment and balanced economic growth.

To counteract the budget crisis brought about by President Reagan's irresponsible 1981 tax cuts, Congress must enact a tax program along the lines recommended by the AFL-CIO.

The AFL-CIO tax program, introduced in the House by Congressman Downey of New York (H.R. 6257), will raise $150 billion in revenue over a three-year period and will move the nation's tax structure closer to fairness and tax justice.

In addition to sound budget and tax policies, the nation needs a comprehensive anti-recession program to stimulate the economy and to create jobs.

The AFL-CIO supports legislation (H.R. 6250) sponsored by Congressman Hawkins of California and approved by the House Education and Labor Committee to provide jobs for long-term jobless workers in areas of the country with high unemployment. This bill would create a five-year program of grants to states and local communities for jobs associated with improvement of the public infrastructure -- including repair of streets and public buildings, maintenance of sewers, installation of ramps for handicapped and improvement of highways.

The AFL-CIO will continue to press for a large-scale comprehensive jobs and training program consistent with the mandate of the Humphrey-Hawkins Full Employment and Balanced Growth Act.

Job training legislation approved by the Senate and now pending in the House of Representatives falls far short of the serious and urgent need of millions of American workers for jobs as well as training. The AFL-CIO is seriously concerned about proposed business domination of the structure, administration and delivery of services to jobless workers and disadvantaged workers, including those displaced by major layoffs and plant closings. Any new jobs and training system must maintain basic federal responsibility and direction and build on successful programs of the past.

In spite of the President's June veto of the housing bill, we continue to support legislation to provide mortgage interest assistance for moderate-income home-buyers and thus to stimulate housing construction. The AFL-CIO also continues to urge action on legislation that includes rental assistance and public housing and mortgage relief payments for unemployed homeowners.

A new Reconstruction Finance Corporation is needed to rebuild the nation's industrial base by aiding sectors of the economy and of the country that need special assistance through loans, grants and guarantees. This new RFC would strengthen investment in basic industries and new, high-growth industries. For this purpose, the AFL-CIO supports the RFC bill (H.R. 6000 by Congressman Guarini of New Jersey).

In addition to changing Reagan budget, tax and job programs, the AFL-CIO urges Congress to reject the Reagan Administration's "enterprise zone" proposal which would only reshuffle jobs and undercut government safeguards and public investment. Instead, Congress should address directly the problems of unemployment and deteriorating neighborhoods.

Legislation is needed to limit job-destroying imports that aggravate the impact of the recession and weaken key industries. The AFL-CIO supports domestic content requirement legislation (H.R. 5133 by Congressman Ottinger of New York and S. 2300 by Senator Ford of Kentucky) to restore jobs in auto and auto-related industries like steel, rubber, glass, textiles, electronics, plastics and others.

We urge Congress to extend the current 39-week maximum unemployment insurance benefit duration to at least 65 weeks for unemployed workers who have exhausted their regular and extended benefits. We also urge Congress to restore the national trigger, include extended benefits recipients in the calculation of the triggers and maintain or lower the present state trigger levels.

Credit Controls

The AFL-CIO urges a reversal of the tight-money policies endorsed by the President and imposed by the Federal Reserve Board.

We support legislation --H.R. 6124 introduced by House Banking Committee Chairman St Germain and the companion bill S. 2526, introduced by Senator Cranston of California -- to extend the 1969 Credit Control Act.

The 1981-82 recession is the latest and worst example of the use of a tight-money, high interest rate policy to combat inflation without regard to the consequences.

The reduction in inflation -- down to an annual rate of 6.7 percent for the year ending in May 1982 -- would be commendable except that it in part reflects the collapse of the housing and auto markets. Other important price drops, however, like the drop in fuel prices caused by the worldwide "oil glut" emerging early in 1981 and the rapid, unforeseen drop-off in consumer food prices, are not the result of monetary policy. The one-month 1 percent increase in the Consumer Price Index in May warns us that inflation is related to food and energy prices.

The continued Reagan-Volcker support of a high interest rate policy perpetuates inflation pressures. It has also lead to record bankruptcies and unemployment. It has brought havoc to the housing, auto, and farm sectors and dozens of supplier industries as well as thousands of small businesses and thrift institutions.

Under the Credit Control Act of 1969, which expired June 30 of this year, the President could authorize the Federal Reserve to regulate credit extension and to channel available credit away from speculation, corporate takeovers and other unproductive activities. Thus, more credit would be available at lower rates for constructive investments, such as home building, farming, and industrial production.

Experience both here and abroad demonstrates that credit controls provide a viable alternative to high interest rates. The brief use of credit controls in 1980 was helpful in bringing down interest rates and getting the economy out of a recession.

After credit controls took effect in 1980, interest rates on new mortgages declined from a peak of 16 percent to about 12.5 percent in July. The annual housing starts rate rose from the May low of 938,000 to about 1,550,000 toward the end of 1980. The prime rate charged by banks declined from 19.5 percent in April to 11 percent in July when the decline in industrial production was reversed and the economy began to pick up.

Other industrial nations have used credit controls in recent years to help keep interest rates, inflation, and unemployment at low levels, while assuring that capital flows into productive, cost-reducing investments.

The current situation clearly shows the need cries out for the President to exercise credit control authority. Unfortunately, the Credit Control Act expired on June 30, 1982. This valuable inflation-cutting tool should not be allowed to die.

The United States needs credit controls to speed up recovery, maintain stability, and make American industry more productive and more competitive. The AFL-CIO, therefore, urges Congress to enact pending legislation to assure the continued availability of credit controls to the President.

The AFL-CIO calls upon the President and the Congress to develop with all possible speed a realistic, workable economic program to bring America back to full employment, to balanced economic growth and to fairness in taxation with compassion for those who have least.

We have presented such a program to the Congress and to the Administration. It is spelled out in detail and we commend this program to the attention of this committee and of the Congress for favorable action.

Our plan also provided for steps to ease human suffering, rebuild public facilities and public services, and provide the jobs and job training that are needed to strengthen the country's human resources.

We submitted that program to the Congress and fought hard for it, only to see it defeated under presidential pressure.

Let me assure you that the AFL-CIO will continue to press for economic policies that will reverse the recession, and bring fairness and humanity to this nation's social and economic policies.

Fairness and humanity are not in conflict with efficiency and economic progress. We insist that economic progress and social justice go together. Thank you.

THE REAGAN RECESSION

PREPARED BY AFL-CIO DEPARTMENT OF ECONOMIC RESEARCH
JULY 1982

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I. THE REAGAN RECESSION

Six months after President Reagan took office his economic policies pushed the nation into the most severe contraction since the Great Depression of the 1930s. The Administration has repeatedly tried to shift the blame for this recession to everything from the previous administration, the past 50 years, or events beyond their control. The fact is, however, that the recession was deliberately engineered and was the inevitable and predictable result of the misguided and inequitable combination of unfair tax cuts, heartless budget cuts and high interest rates. At the time of his inauguration in January 1981, the unemployment rate was 7.4 percent, the industrial production index was 8 percent above its July 1980 low, the index of coincident economic indicators (which tends to track the movements of the overall economy) was 4 percent higher than its July level, and real GNP had risen during the final half of 1980. In other words, the economy was well on the road to recovery and growth.

When Reagan took office, he began to put in place the four basic elements of his economic plan: a slowdown in monetary growth which has produced destructively high interest rates; massive tax cuts skewed to benefit business and the wealthy; budget cuts primarily aimed at social programs; and a rollback in the regulations which were designed to protect workers, the environment, and consumers. It took another six months for Reaganomics to really take hold and reverse the path of the economy from growth to decline. From January through July 1981, industrial production rose and unemployment declined slightly to 7.2 percent.

Since July of 1981, however, the economy has fallen into a sharp decline. Virtually every economic indicator is now compared to its level during the 1930's, as no other postwar contraction has been so severe. The effect on working people has been particularly devastating. From July of 1981, the unemployment rate has increased from 7.2 percent to 9.5 percent, its highest level in more than forty years.

During Reagan's first year in office, his Treasury Secretary predicted the U.S. economy would come "roaring back" in the spring of 1982. For the spring quarter of 1982, the number of workers counted as officially unemployed averaged 10.4 million. An additional 1.5 million had given up entirely on the desperate and fruitless search for work, and 5.7 million were forced to work part time. Thus, Reaganism has supplied us with 17.6 million Americans suffering job loss and income loss, the effects of which approach in severity the devastation of the Great Depression.

The unemployment rate for adult men now stands at 8.7 percent. Among other excuses, Reagan has tried to blame high unemployment on the increased participation of women in the labor force. Yet, the increase in the number of adult males unemployed in the past year is without precedent since the Depression. Two-thirds of the increased unemployment since July 1981 occurred among adult men. Of all working people, adult males have traditionally had the most stable attachment to the labor force and are proportionately more often the primary income earner supporting families.

The five million males now unemployed constitute nearly one-half of the total officially unemployed. This five million level is five times greater than the average number of unemployed adult males during the late 1960s. In addition, there are over 3.5 million unemployed adult women, for an unemployment rate of 8.1 percent. Minorities have been devastated, experiencing an unemployment rate of 17.1 percent. For black teenagers, the situation is catastrophic with an official unemployment rate of 52 percent and with fewer than one in six blacks, aged 16-19, employed. Untold numbers are experiencing the greatest economic hardship of their lives; permanent job loss threatens hundreds of thousands.

The effects of the Reagan Recession are being felt throughout the economy. The auto, steel, and construction industries, which together directly and indirectly account for more than one out of every three jobs in the country, have been particularly hard hit. Manufacturing employment has declined by 1.4 million since July 1981. While the industrial areas of the Northeast and Midwest continue to suffer from combination of cyclical unemployment and permanent job loss, during the Reagan Recession the number of unemployed has increased the fastest in the states of the South and West. As of May of 1982, the latest month for which data is available, 13 states plus the District of Columbia had double-digit unemployment rates, compared with one state and the District of Columbia in July 1981.

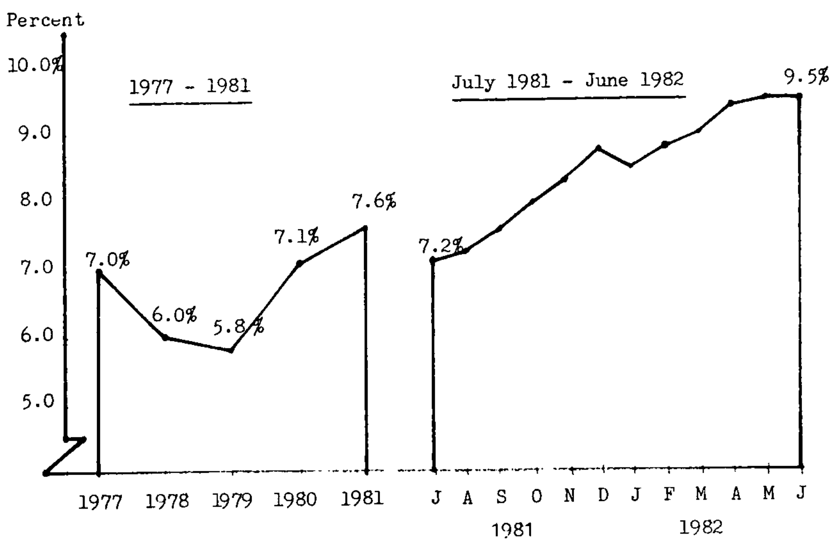
The Reagan-Federal Reserve devotion to a high interest rate policy continues to have shattering effects on the housing, construction, automobile, farming, state and local governments, and other sectors particularly sensitive to the cost of borrowed funds. Home mortgage delinquencies, foreclosures, and business failures are at record high levels. The damage to thrift institutions caused by high interest rates has severely taxed the deposit insurance agencies. With business liquidity at its weakest since World War II, corporations have little cushion to weather continued high interest rates, a prolonged recession, or a crisis of confidence in the financial markets.

According to the Reagan Administration, the huge tax giveaways to business and the wealthy were supposed to stimulate a job-creating investment boom. Yet, business investment has been declining since early 1981. The latest Department of Commerce survey of capital spending plans reveals that business plans to <u>cut</u> real investment spending by 2.4 percent during 1982.

II. UNEMPLOYMENT

Unemployment is a key indicator of the economy's performance and its impact on people. According to the National Bureau of Economic Research, the official "caller" of business cycle dates and turning points, the Reagan recession began in July 1981. Since then unemployment has increased sharply, with joblessness rising by 2.6 million workers as of June 1982. The 9.5 percent seasonally adjusted unemployment rate for May and June of 1982 represents the highest level in more than forty years.

Unemployment, 1977 - June 1982



monthly rates are seasonally adjusted

Source: Bureau of Labor Statistics

For the first 12 months of the Reagan Recession the monthly unemployment rate averaged 8.5 percent, with no letup in sight, and worse, not a hint of a desire from the Administration to use the economic stablizatior power of the Federal government to ease the calamity of unemployment. This represents a serious deterioration from the post-World War II experience of the U.S. and an unconscionable retreat from the commitment to full employment set forth in the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978.

Unemployment, 1950 - 1982

Year	1950s Unemployment Rate (%)	Year	1960s Unemployment Rate (%)	Year	1970s Unemployment Rate (%)	Year	1980s Unemployment Rate (%)
1950	5.3	1960	5.5	1970	4.9	1980	7.1
1951	3.3	1961	6.7	1971	5.9	1981	7.6
1952	3.0	1962	5.5	1972	5.6	1982	
1953	2.9	1963	5.7	1973	4.9	Jan	8.5
1954	5.5	1964	5.2	1974	5.6	Feb	8.8
						Mar	9.0
1955	4.4	1965	4.5	1975	8.5	Apr	9.4
1956	4.1	1966	3.8	1976	7.7	May	9.5
1957	4.3	1967	3.8	1977	7.0	Jun	9.5
1958	6.8	1968	3.6	1978	6.0		
1959	5.5	1969	3.5	1979	5.8		
high	6.8	high	6.7	high	8.5	high	9.5
low	2.9	low	3.5	low	4.9	low	7.1

Source: Bureau of Labor Statistics

Discouraged Workers and Involuntary Part-Time Workers

The reality of unemployment is much worse than the official monthly statistics imply. For the second quarter of 1982, the months of April, May, and June, an average of 10.4 million people were officially counted as unemployed by the Bureau of Labor Statistics. An additional 1.5 million "discouraged" workers had given up entirely on the desperate and fruitless search for work. Their plight is not captured in the official unemployment rate. The number of discouraged workers has increased by 43.5 percent since the second quarter of 1981.

Of those employed, 5.7 million were forced into part-time schedules because of the slack economy. Thus, a total of 17.6 million Americans are suffering job loss and income loss.

Workers Suffering Job Loss and Income Loss

Second Quarter*, 1982

seasonally adjusted	(thousands)
Offically unemployed	10,428
Involuntary part-time workers	5,680
Discouraged workers	1,497
Total	17,605

*average on a monthly basis
Source: Bureau of Labor Statistics

Total Experiencing Some Unemployment During the Year Approaches One-Third

The unemployment figures are monthly averages. But the total number of people hit by unemployment in the course of a year is substantially higher. Since 1959, the total number of workers experiencing unemployment during a year has ranged from 2.7 to 4.2 times the number who are unemployed in any given month.

Thus, in 1980, average monthly unemployment was 7.6 million persons, but more than 21 million workers were jobless during the year -- about 18 percent of the workforce.

In 1981, the total number of workers hit by unemployment was probably between 25 and 30 million. And in 1982, the total directly experiencing unemployment during the course of the year may be 30 to 35 million, nearly one out of three American workers.

Unemployment Rates for All Population Groups at Post-World War II Record High Levels

The number of unemployed increased by one-third (2.6 million) from July 1981 to June 1982. All age, sex, and racial groups experienced significant deterioration in their employment prospects. The unemployment rates for all groups -- adult men, adult women, teenagers, whites, blacks, and Hispanics -- are at post-World War II record high levels. For the category, "women who maintain families", unemployment rates have only been recorded since 1967; the June 1982 level of 12.4 percent represents the highest rate to date.

Unemployment Increases Fastest Among Adult Males

The unemployment rate for adult men now stands at 8.7 percent. The percentage increase in the number of unemployed from July 1981 to June 1982 was greatest among adult males, with an increase of 53 percent over a year ago. Another way to consider it is that two-thirds of the increased unemployment occurred among adult men. The five million adult males now unemployed constitute 48 percent of the total officially unemployed. This is five times greater than the average number of unemployed adult men during the late 1960s. Of all working people, adult men have traditionally had the most stable attachment to the labor force and are proportionately more often the primary income earner supporting families.

There are over 3.5 million unemployed adult women, for an unemployment rate of 8.1 percent. One out of eight women who maintain families is unemployed.

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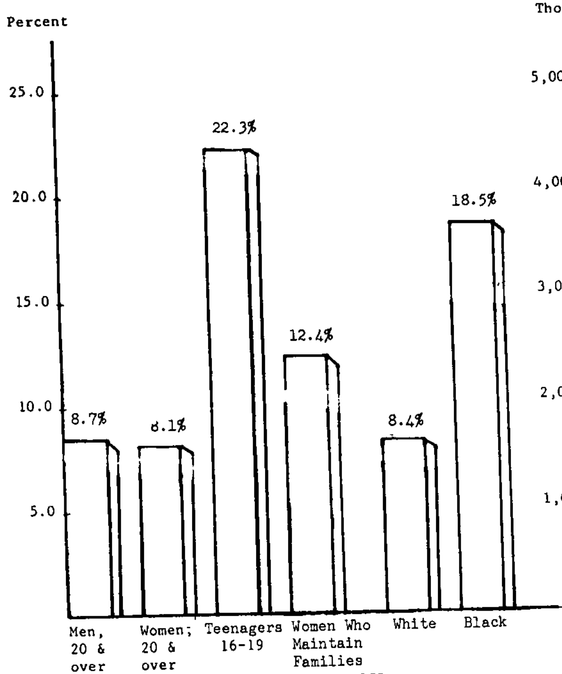
Who Are The Unemployed?

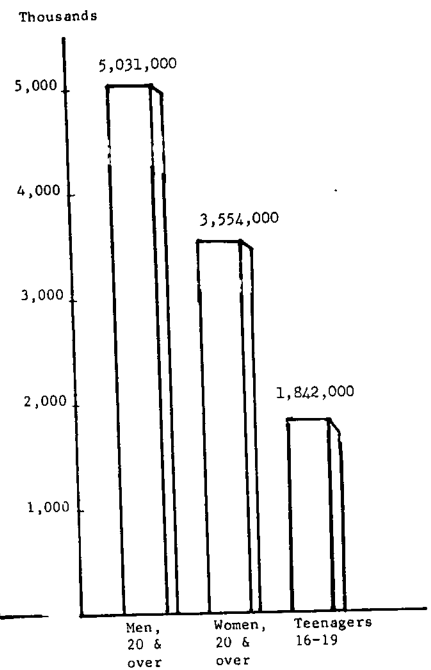
June 1982

Percent Unemployed



Source: Employment Situation, June 1982

Number of Unemployed



Changes In Unemployment
July 1981 - June 1982

	Number Unemployed (in thousands) July 1981	June 1982	Increase in Unemployed	Percent Unemployed
TOTAL	7,824	10,427	2,603	9.5%
Males, 20 years +	3,298	5,031	1,733	8.7
Females, 20 years +	2,872	3,554	682	8.1
Teenagers, 16-19 years	1,654	1,842	188	22.3
Women who maintain families	627	722	95	12.4
Whites	5,956	8,050	2,094	8.4
Blacks	1,633	2,079	446	18.5
Hispanic origin	591	800	209	13.5
Black teenagers	324	387	63	52.6
Male black teenagers	183	229	46	58.1
Full-time workers	6,365	8,873	2,508	9.4
Part-time workers	1,471	1,583	112	9.8

Seasonally adjusted data

Source: Bureau of Labor Statistics

Minorities Suffer Depression Level Unemployment Rates

Black unemployment increased by more than a quarter from July 1981 to June 1982, climbing from 1.6 million to over 2.0 million unemployed. This represents an official unemployment rate of a staggering 18.5 percent. Unemployment among workers of Hispanic origin climbed to 800,000 in June, 35 percent greater than last year and the unemployment rate now stands at 13.5 percent for Hispanics.

Employment Prospects for Teenagers Rapidly Disappearing

In the face of mounting layoffs, young people just entering the labor market cannot find jobs. The official teenage, (ages 16-19), unemployment rate increased from 18.7 percent to 22.3 percent over the year of the Reagan Recession. For black teenagers, the unemployment rate increased from 40.0 to 52.6 percent, and for black teenage males the rate skyrocketed from 42 to 58 percent.

Yet the relevance of the unemployment rate data as an indication of true unemployment is particularly limited for young people because "discouraged workers" are not included. One needs to also look at what's happening to the number of employed people and to the percentage of the relevant population group with jobs. For white teenagers, employment declined by 9 percent over the year, and the number of black teenagers with jobs fell by an alarming 28 percent. Out of the black population, aged 16-19, the economy is currently providing jobs for fewer than one in six.

Unemployment by Occupation

Blue-collar workers have suffered most of the job losses during the recession with their unemployment rate up from 9.5 to 13.9 percent. Section II on Employment highlights the decline in employment by industry within manufacturing.

White-collar unemployment increased to 5.0 percent in June of 1982 with the unemployment rate for clerical workers reaching 6.9 percent. Professional and technical workers and managers have been forced into the unemployment line with unemployment surpassing one million. Many hard-pressed large corporations have pink-slipped thousands of professionals and managers. Layoffs have even occurred among high technology electronics firms once thought to be immune to recession in the 1980s.

Unemployment among service workers increased from 8.0 percent to 9.9 percent in June 1982.

Unemployment By Industry

Manufacturing and construction continue to bear the brunt of the recession's impact. Unemployment in manufacturing has increased precipitously from 7.3 percent in July 1981 to 12.3 percent in June 1982. Unemployment in durables manufacturing, which includes autos, steel, and machinery, stands at 13.2 percent and in nondurables at 11.0 percent.

Construction unemployment approaches one-fifth with a June 1982 rate of 19.2 percent. In the wholesale and retail trade sector unemployment is 9.7 percent; transportation and public utilities, 6.9 percent; and in finance and service industries, 6.8 percent.

For the private, non-agricultural sector in general, the June 1982 unemployment rate was 10.0 percent. Employment among government workers has provided somewhat of a stabilizing force during the recession with the unemployment rate remaining at 4.6 percent. The high unemployment rate among agricultural wage and salary workers, 16.3 percent, reflects the depressed condition of the farm sector.

Unemployment by Occupation and Industry
July 1981 - June 1982

	Unemployed June 1982 (000's)	Unemployment Rate (Percent) July 1981	June 1982
Occupation			
White-collar workers	2,804	4.0%	5.0%
Professional and technical	573	2.8	3.3
Managers and administrators, except farm	459	2.6	3.8
Sales workers	406	4.9	5.8
Clerical workers	1,366	5.7	6.9
Blue-collar workers	4,810	9.5	13.9
Craft and kindred workers	1,400	6.9	10.3
Operatives, except transport	1,930	11.1	16.7
Transport equipment operatives	512	7.3	13.0
Nonfarm laborers	969	14.4	17.9
Service workers	1,512	8.0	9.9
Farm workers	205	4.8	7.2
Industry			
Nonagricultural private wage and salary workers	8,082	7.2	10.0
Construction	963	15.2	19.2
Manufacturing	2,769	7.3	12.3
Durable goods	1,752	7.1	13.2
Nondurable goods	1,016	7.6	11.0
Transportation	404	4.1	6.9
Wholesale and retail trade	2,013	7.9	9.7
Finance and service industries	1,749	5.7	6.8
Government workers	761	4.6	4.6
Agricultural wage and salary workers	278	10.7	16.3

Data seasonally adjusted.

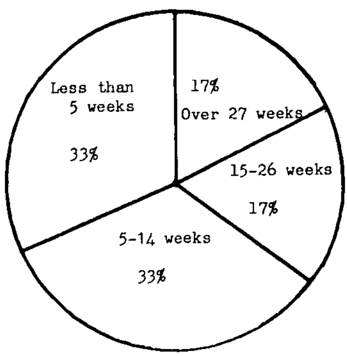
Source: Bureau of Labor Statistics

Average Duration of Unemployment Increases

In June 1982, the average unemployed worker was out of work for 16.5 weeks. More than one-third of the unemployed have been jobless for 15 weeks or longer, with 17.3 percent unemployed for more than half a year. As the recession continues, the average duration of unemployment will further increase.

Duration of Unemployment

June 1982



Source: "Employment Situation," June 1982, BLS

Unemployment by State and Region

In July 1981, Michigan and the District of Columbia had double-digit unemployment rates. By May 1982, the latest month for which data is available for all states, 12 other states had joined them in the double-digit category.

Heavily dependent on either the depressed auto, steel, textile, or lumber industries, the states topping the list in May include Michigan with an unemployment rate of 14.3 percent, Alabama with 13.2 percent, Washington with 12.3 percent, and Indiana and South Carolina with 11.4 percent.

While the industrial areas of the Northeast and North Central continue to suffer from both recession related and longer term job loss, during the Reagan Recession the number of unemployed has increased the fastest in the West and South. On a seasonally unadjusted basis (seasonally adjusted data is not available by states), the number of unemployed increased by 25 percent from July 1981 to May 1982 for the nation as a whole. Unemployment increased fastest in the West over this period, increasing by 32 percent; for the South, 30 percent; for the North Central region, 23 percent; and for the Northeast, 16 percent. By region, the number of states with double-digit unemployment rates in May 1982: South, 6 plus the District of Columbia; North Central, 4; and West, 3. Although there were no Northeastern states in the double-digit category, the region has 4 states above 9 percent and a fifth, Masachusetts, experienced rapidly increasing unemployment in 1982. Over the year, the region has seen the number unemployed nearly double.

For May 1982, 6 states had rates below 6 percent: North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, and Wyoming. For predominantly agricultural states like the Dakotas, Nebraska, and Kansas, low unemployment rates mask the precarious condition of their farm economies. The dramatic slowdown in investment in energy resource development in 1982 also bodes ill for Oklahoma and Wyoming.

Unemployment By State and Region

May 1982p

	Number Unemployed (000's)	Unemployment Rate		Number Unemployed (000's)	Unemployment Rate
NORTHEAST	**2,029**	**8.6%**	**North Central**	**2,870**	**10.1%**
Maine	49	9.3	Ohio	566	11.1
New Hampshire	37	7.6	Indiana	292	11.4
Vermont	20	7.6	Illinois	586	10.6
Massachusetts	257	8.6	Michigan	616	14.3
Rhode Island	44	9.2	Wisconsin	234	9.7
Connecticut	105	6.5	Minnesota	144	6.7
New York	633	7.9	Iowa	109	7.5
New Jersey	355	9.7	Missouri	187	7.9
Pennsylvania	529	9.8	North Dakota	14	4.3
			South Dakota	15	4.5
SOUTH	**3,017**	**8.3%**			
			Nebraska	43	5.4
Delaware	22	7.1	Kansas	64	5.5
Maryland	189	8.6			
District of Columbia	33	10.6	**WEST**	**1,985**	**9.1%**
Virginia	188	7.1			
West Virginia	84	10.9	Montana	33	8.5
			Idaho	43	9.8
North Carolina	256	8.7	Wyoming	13	4.9
South Carolina	170	11.4	Colorado	107	6.9
Georgia	197	7.4	New Mexico	53	9.1
Florida	346	7.3			
Kentucky	159	9.8	Arizona	122	9.3
			Utah	47	7.0
Tennessee	221	10.6	Nevada	42	8.7
Alabama	225	13.2	Washington	246	12.3
Mississippi	107	10.0	Oregon	145	11.1
Arkansas	94	9.0			
Louisiana	192	10.3	California	1,085	9.0
			Alaska	20	10.1
Oklahoma	78	5.2	Hawaii	29	6.4
Texas	456	6.3			

Data seasonally adjusted.
p=preliminary

Source: Bureau of Labor Statistics

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Increase In Number Unemployed by Region

July 1981 - May 1982p

Region	Number Unemployed in Thousands: July 1981	May 1982(p)	Percent Change
NORTHEAST	1,750	2,029	+16%
NORTH CENTRAL	2,339	2,870	+23%
SOUTH	2,318	3,017	+30%
WEST	1,506	1,985	+32%
U.S. TOTAL	**7,913**	**9,901**	**+25%**

Data seasonally adjusted.

p = preliminary

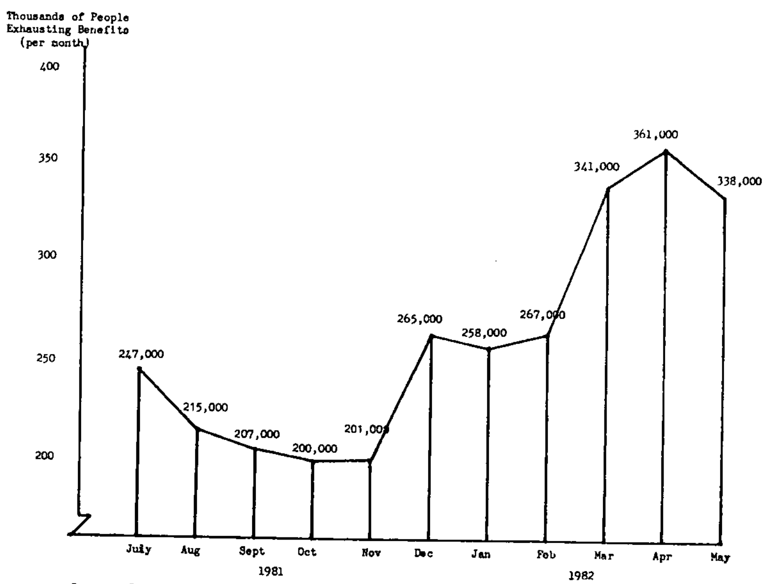
Source: Bureau of Labor Statistics

Employment Benefit Exhaustions

As high unemployment continues, more and more people are using up their unemployment benefits. Termination of benefits removes their safety net, and further reduces consumer buying power. Prior to the current deep Reagan recession, additional unemployment benefits had been provided during periods of high unemployment to workers whose regular state benefits had run out. Reagan-mandated budget cuts in 1981 and 1982 have prevented hundreds of thousands of unemployed workers from receiving benefits beyond the regular 26-week period.

The current rate of unemployment benefit exhaustion is over 300,000 people per month (for the first five months of 1982). Given current conditions, this level will likely climb; for all of 1982 it is expected that at least 4 million people will see their unemployment benefits run out.

Regular State Unemployment Benefit Exhaustions
July 1981 - May 1982



Source: Department of Labor

III. EMPLOYMENT FALLS

The number of jobs has to grow by about 3 percent a year in the United States, or about 3.3 million jobs per year, to keep up with population and labor force growth and hold unemployment at the same rate. In the year of the Reagan Recession, from July of 1981 to June of 1982, total nonfarm employment has declined by 1.5 percent, with a net loss of 1.4 million jobs.

The largest losses have occurred in manufacturing and construction. Manufacturing employment has fallen by 1.4 million from July of last year to June of this year. This represents a decline of 6.9 percent. If this pace continues for the rest of 1982, manufacturing employment will have contracted by 10 percent since mid-1981. Construction employment has decreased by a quarter of a million since July 1981.

Employment in the transportation and public utilities sector has fallen by 92,000. Total government employment has dropped by nearly 50,000 from a year before, with all of this decline coming in Federal employment. Because of a quirk in the survey procedure, the Bureau of Labor Statistics notes that the seasonally adjusted June 1982 employment figure for state and local government is artificially high. The survey week was early this June which served to limit the extent of summer reductions in local education employment. Many states, cities, and school districts have laid off employees during the past year, and the employment data in coming months will reflect these declines. Other sectors have shown some gains, although at rates considerably below the pace of their expansion in the 1970s. Employment in wholesale and retail trade has registered an increase of one-tenth of one percent from July of 1981 to June of 1982. However, from 1970 to 1979, this sector grew by an average annual rate of 3.3 percent. Employment in the financial sector has increased by seven-tenths of one percent during the recession, compared to an average rate of growth of 3.5 percent during the 1970s. The largest gains in employment were in the services, with an increase of 357,000 jobs. Yet, this 1.9 percent increase is dwarfed by the average annual rate of increase during the 1970s of 4.4 percent.

Employment By Industry, July 1981 - June 1982

	July 1981 (000's)	June 1982(p) (000's)	Change (from July) Number (000's)	Percent
TOTAL	91,396	90,010	-1,386	-1.5%
Goods producing	25,718	24,053	-1,665	-6.5
Mining	1,164	1,130	-34	-2.9
Construction	4,175	3,952	-223	-5.3
Manufacturing	20,379	18,971	-1,408	-6.9
Service producing	65,678	65,957	+279	+0.4
Transportation and public utilities	5,168	5,076	-92	-1.8
Wholesale and retail trade	20,620	20,643	+23	+0.1
Finance, insurance, and real estate	5,311	5,349	+38	+0.7
Services	18,615	18,972	+357	+1.9
Government	15,964	15,917	-47	-0.3
Federal government	2,775	2,724	-51	-1.8
State and local government	13,189	13,193	+4	+0.0

Establishment data seasonally adjusted.

p=preliminary

Sources: Bureau of Labor Statistics, Employment and Earnings, June 1982
Bureau of Labor Statistics, "Employment Situation," June 1982

Employment has declined in every one of the manufacturing industries during the recession. Losses were heaviest in the durable goods industries, particularly: primary metals (which includes steel), down by 198,000 jobs or an alarming 17.5 percent; nonelectrical machinery, down by 188,000, 7.4 percent; transportation equipment (which encompasses autos), down by 178,000 or 9.2 percent; and fabricated metals, down by 155,000 or 9.6 percent. These metal and machinery industries constitute the core of U.S. industrial strength and largely account for this nation's manufactured exports. Under Reagan, their employment has declined by an average of 10 percent. It is widely recognized that the sustained unemployment of the human and capital resources in these industries constitutes a serious and perhaps irreversible drag on U.S. industrial productivity.

The depression in housing construction largely accounts for the 8.8 percent decline in employment in the lumber and wood products industry. This decline has produced double-digit unemployment rates in the lumber-dependent states of Oregon and Washington.

Employment has contracted by 4.9 percent in nondurable goods. Textiles and leather goods had the most precipitous declines, 11.9 and 11.7 percent, respectively. Apparel employment has fallen by 96,000 from July 1981 to June 1982, for a decline of 7.6 percent. In the auto-related rubber industry, employment is off by 6.1 percent.

Employment By Manufacturing Industry, July 1981 - June 1982

	July 1981 (000's)	June 1982 (000's)	Change Number (000's)	Change Percent
MANUFACTURING	20,379	18,971	-1,408	-6.9%
Durable Goods	12,266	11,254	-1,012	-8.3
Lumber and wood products	683	623	-60	-8.8
Furniture and fixtures	476	445	-31	-6.5
Stone, clay and glass products	644	581	-63	-9.8
Primary metal industries	1,132	934	-198	-17.5
Fabricated metal products	1,617	1,462	-155	-9.6
Machinery, except electrical	2,527	2,339	-188	-7.4
Electric and electronic equipment	2,112	2,029	-83	-3.9
Transportation equipment	1,925	1,747	-178	-9.2
Instruments and related products	731	708	-23	-3.1
Miscellaneous and manufacturing ind.	419	386	-33	-7.9
Nondurable Goods	8,113	7,717	-396	-4.9
Food and kindred products	1,678	1,634	-44	-2.6
Tobacco manufactures	70	67	-3	-4.3
Textile mill products	835	736	-99	-11.9
Apparel and other textile products	1,255	1,159	-96	-7.6
Paper and allied products	691	659	-32	-4.6
Printing and publishing	1,268	1,267	-1	-0.1
Chemicals and allied products	1,110	1,074	-36	-3.2
Petroleum and coal products	217	206	-11	-5.1
Rubber and miscellaneous plastic products	750	704	-46	-6.1
Leather and leather products	239	211	-28	-11.7

Establishment data seasonally adjusted.

Sources: Bureau of Labor Statistics, Employment and Earnings, June 1982
Bureau of Labor Statistics, "Employment Situation," June 1982

IV. HOURS OF WORK DECLINE

Average weekly hours of work for all private sector workers continue to decline in 1982, dropping 0.5 hours for the first six months of this year compared to the first six months of 1981. In manufacturing, the falloff in hours worked was even greater, dropping 1.2 hours from 40.1 hours for the first six months of 1981 to an average of 38.9 hours for the corresponding period in 1982.

These 1982 levels remain considerably below the levels of the late 1970s.

Overtime hours in manufacturing declined from 2.9 hours per week for the first six months of 1981 to 2.4 hours for the first half of 1982; the decline was from 3.0 to 2.2 hours in durables manufacturing.

Average Weekly Hours Of Production Or Nonsupervisory Workers

	Total Private	Manufacturing
First 6 Months		
1982	34.8	38.9
1981	35.3	40.1
Annual Averages		
1980	35.3	39.7
1979	35.7	40.2
1978	35.8	40.4
1977	36.0	40.3

Sources: Bureau of Labor Statistics, "Employment Situtation," and "Employment and Earnings

V. OVERTIME HOURS CONTINUE

Although lower than year earlier levels, considerable overtime continued in nearly every manufacturing industry in spite of the recession. The total hours of overtime worked in each week for the first six months of 1982 were the equivalent of nearly 800,000 full-time jobs (787,980).

Overtime Hours of Manufacturing Production Workers and Equivalent Full-Time Jobs
January - June 1982

	Manufacturing
Average Weekly Overtime Hours	2.4
Average Number Production Workers	13,133,000
Total Overtime Hours Worked	31,519,200
Number of 40-Hour Full-Time Equivalents	787,980

Source: Bureau of Labor Statistics, "Employment and Earnings."

Average Weekly Overtime Hours, Manufacturing Industries
January - April 1982

Industry	4-month Average
Total Manufacturing	2.2
Durable Goods	2.1
Lumber and wood products	2.0
Furniture and fixtures	1.3
Stone, clay, and glass products	3.2
Primary metal industries	2.1
Fabricated metal products	2.0
Machinery, except electrical	2.5
Electric and electronic equipment	1.7
Transportation	2.4
Instruments and related products	1.8
Miscellaneous manufacturing industry	1.5
Nondurable Goods	2.4
Food and kindred products	3.3
Tobacco manufactures	1.1
Textile mill products	1.9
Apparel and other textile products	0.9
Paper and allied products	4.1
Printing and publishing	2.2
Chemicals and allied products	2.8
Petroleum and coal products	3.6
Rubber and miscellaneous plastics products	2.5
Leather and leather products	1.2

Source: Bureau of Labor Statistics, Employment and Earnings; May 1982; June 1982

VI. WORKERS' BUYING POWER DECREASES

The buying power of American workers' paychecks continues to decline in 1982 and remains considerably below the levels prevailing in the late 1970s. While gross average weekly earnings for workers in private industry increased by 4.9 percent from $254.53 in May 1981 to $267.05 in May 1982, real spendable earnings reduced by social security and federal income taxes and adjusted for inflation, actually declined by 1.4 percent.

This decline in workers' buying power erodes the living standards of workers and their families and contributes to the recession as reduced buying power leads to lower production and further layoffs. Since 1977, average real spendable earnings have dropped by 14.1 percent.

Average Weekly Earnings, Production or Nonsupervisory Workers

Current, Constant, & Spendable Dollars
1977 - 1982

Year	Average Weekly Earnings: Current Dollars	Average Weekly Earnings: Constant Dollars (adjusted for price changes since 1977)	Real Spendable Earnings (constant after-tax $)*
1977	$189.00	$189.00	$169.93
1978	203.70	189.31	167.95
1979	219.91	183.41	162.49
1980	235.10	172.74	151.65
1981	255.20	170.13	147.05
1982 May(p)	267.05	169.45	146.02
Percent Change 1977 to May 1982	+41.3%	-10.3%	-14.1%

*Worker with three dependents

Annual Averages

Source: "Real Earnings," Bureau of Labor Statistics, Spendable earnings for May 1982 calculated by the AFL-CIO using BLS methods.

VII. HIGH INTEREST RATES SQUEEZE THE ECONOMY

High interest rates and the Reagan-supported tight money policies of the Federal Reserve have contributed to the severity and duration of the recession. In the past, interest rates usually declined during the depths of a recession because the slack pace of economic activity reduced the need for financing. During this recession, however, interest rates have remained near their historic peaks.

The sensitive "prime rate" -- the rate large banks charge on loans to their biggest corporate customers -- was 16.5 percent in June 1982. During Reagan's tenure, the prime rate has never gone below 15.75 percent, and it averaged 18.9 percent during 1981 and 16.3 percent in 1982.

The Federal Reserve "discount rate" hit a new record high of 14 percent in May 1981. Since last December, it has remained at 12 percent.

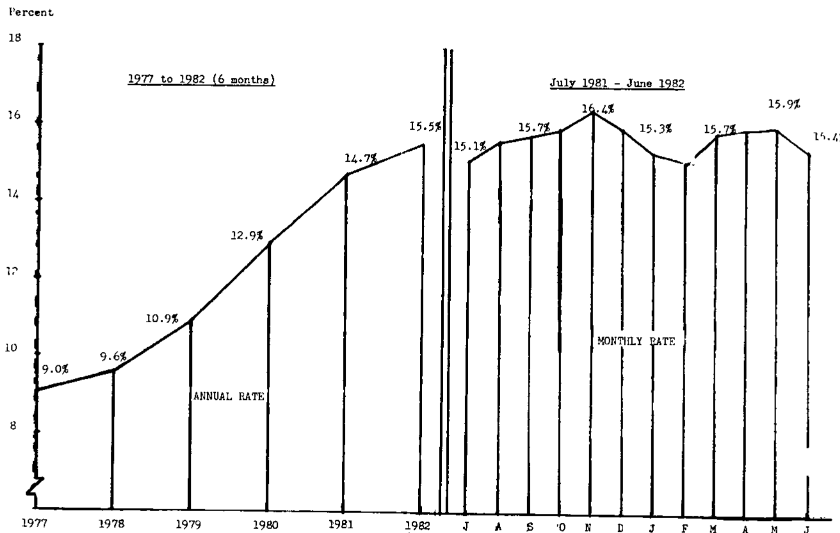
Mortgage interest rates have remained at levels which have stymied housing construction and sales. At 15.4 percent in June 1982, the mortgage rate significantly exceeds its 13.6 percent level of January 1981 when Reagan took office.

Some short-term rates are at lower levels now than at the beginning of 1981, largely because of recession's impact on business investment loan demand.

A key reason for these high interest rates is the massive loss in revenue caused by Reagan's tax cuts -- a revenue loss which disproportionately favors business and the wealthy. As a result of these cuts, the deficit and the Treasury's borrowing needs have soared. At the same time, however, the Federal Reserve is restricting the availability of funds in its attempt to achieve the slower rate of monetary growth both it and the Administration support.

High interest rates have added to the deterioration in equity that has resulted from Reagan's tax and budget cuts. In 1974, wages and salaries constituted 66 percent of total personal income. Personal interest income was 9.6 percent of total personal income. By May 1982, wages and salaries were down to 60.7 percent of personal income, while the interest income share had risen to 13.8 percent. Because interest earnings are predominately paid to upper income groups, this shift reflects a growing trend towards fundamental imbalance and unfairness in the distribution of income.

Mortgage Interest Rates*
1977 - June 1982



*Effective rate on conventional mortgages reflecting fees and charges as well as the contract rate.
p=preliminary

Source: Federal Home Loan Bank Board

VIII. BUSINESS AND CONSUMERS IN DISTRESS

Business Failures and Bankruptcies

Continued recession and high interest rates are driving companies of all sizes and in all industries and regions out of business more rapidly than at any time since the Great Depression. During the first half of this year, more businesses failed than during all of 1975, the previous worst postwar recession year. The business failure rate, considered in relation to the total number of businesses, is at its highest level since 1933, one of the worst years of the Great Depression.

With business liquidity at its worst since World War II, the depressed purchasing power caused by continued high unemployment keeps sales down and makes it more and more difficult for corporations to pay their bills. Hard-pressed firms resort to layoffs to cut their expenses and to short-term borrowing to pay their bills. But layoffs further worsen consumer spending and sales, and high interest rates rapidly add to the burden of debt. For this stage of a recession interest rates have remained unusually high. In addition, the decline in production and sales has been particularly steep. As a result, many firms are finding it impossible to stay afloat.

Business bankruptcies have become all too common as this recession continues to strangle the economy. For every business which fails and closes down entirely, three or four more file for bankruptcy. Some will try to stay in business by selling off assets and reorganizing, which usually entails large layoffs. An increase in bankruptcies, especially considering the weak corporate liquidity position, threatens to escalate as firms which are owed money by bankrupt firms are forced to write-off those debts. But this, in turn, weakens their own financial position, making additional bankruptcies more likely.

Because small businesses must pay higher interest rates, on less favorable terms than large corporations, small firms are particularly vulnerable in this recession. The House Small Business Committee has noted that extended high interest rates and recession constitutes "the death knell" for thousands of small businesses.

Several large firms have also had to declare bankruptcy in 1982, including the building supplies retailer, Wickes Company, Braniff Airlines, and A.M. International, an office equipment manufacturer which started in business in the nineteenth century.

Weakness in Financial Institutions

Sustained high interest rates have also had disruptive effects in the financial sector. Thrift institutions, in particular, have been hard-pressed to pay the high rates necessary to keep deposits since they derive their income from low-yielding loans made when interest rates were much lower. More than 8 out of every 10 thrifts suffered losses in the last half of 1981, and for the entire year, the industry lost over $4 billion.

The ripple effects of a bank failure or the collapse of a bond dealer can reverberate across many institutions and regions. The recent collapse of the relatively small Penn Square National Bank in Oklahoma City led to large loan losses among some of the largest New York and Chicago banks and resulted in the layoff of 400 employees by a Seattle bank which experienced heavy losses. One hundred seventy credit unions with deposits in Penn Square were also affected.

So far this year, there have been 22 bank closings due to financial difficulties. This is more than during any other full year in the post-War period and compares very unfavorably with annual average bank closings of between five and eight for the decades of the fifties, sixties, and seventies.

Personal Bankruptcies

Individual and family incomes have suffered greatly from high unemployment and the slack economy. Thousands are finding it impossible to sustain their living standard and have filed for bankruptcy as their indebtedness has swamped their ability to repay. Personal, non-business, bankruptcies are being filed at a rate of 38,000 per month, twice the level prevailing during the last decade.

Home Mortgage Delinquencies and Foreclosures

As of March 31, 1982, over 5 percent of all outstanding home mortgages were delinquent, a record high since the Morgage Bankers Association started its survey in 1953. The Mid-Atlantic and Great Lakes states experienced the highest delinquency rates, ranging from 5 to 8 percent in all of these industrial states.

Continued record high unemployment and interest rates are forcing tens of thousands of people to lose their homes through foreclosure. For the first quarter of 1982, foreclosure proceedings were underway for between 100-140,000 homeowners. For the second quarter of 1982, it is anticipated that foreclosure proceedings were started for another 50,000 mortgages.

Farm Loan Deliquencies

The cost of farm operations is acutely sensitive to interest rates, farmers typically borrow heavily at the beginning of the crop year to purchase seed, fertilizer, herbicides, and fuel. Historically high interest rate costs are contributing substantially to expectations that net farm income this year will be at its lowest level in fifty years. Reminiscent of the 1930s, many family farmers are now threatened with losing their livelihood. Thousands are "voluntarily liquidating" their farms. As of the end of May 1982, one-third of all Farmers Home Administration loans were delinquent.

IX. GROSS NATIONAL PRODUCT

The Gross National Product is a dollar measure of the nation's total output of goods and services. GNP, adjusted for inflation, rose sharply in the first quarter of 1981, increasing at an annual rate of 8.6 percent.

Real GNP flattened out over the next two quarters, then dropped sharply in the following two quarters, falling at an annual rate of 4.5 percent in the fourth quarter of 1981 and 3.7 percent in the first quarter of 1982. Although the Commerce Department's initial projection for the second quarter of 1982 was for a slight increase, the persistence of high unemployment, falling industrial production, and the drop in retail sales suggest an optimism on the part of the Commerce Department that is not borne out by the facts or shared by other forecasters.

Change In Gross National Product
1980 - 1982

Percent change from previous quarter
1972 Dollars, seasonally adjusted annual rate

1980	III	2.4 %
	IV	3.8
1981	I	8.6
	II	-1.6
	III	1.4
	IV	-4.5
1982	I	-3.7

Source: Commerce Department, Bureau of Economic Analysis

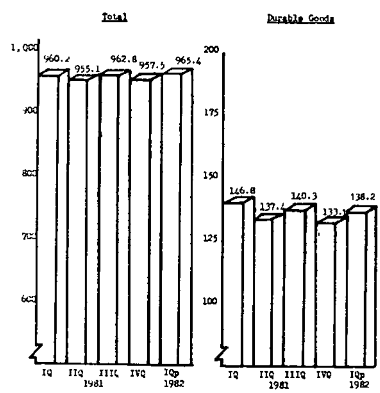
X. CONSUMER SPENDING DROPS

Total personal consumption expenditures in real terms rose slightly to \$965.4 billion in the first quarter of 1982, an increase of 3.3 percent at a seasonally adjusted annual rate. Durable goods exhibited the strongest rate of growth, rebounding at a 16.2 percent annual rate from the depressed level of the previous quarter.

During the first quarter, the automobile industry implemented incentive programs to stimulate sales. Because of this, the upturn may not signal a fundamental improvement in the outlook for the durable manufacturing industry. Even with the first quarter increase, durable expenditures remain 5.9 percent below their level of one year ago. The tight-money high interest rate policies that the Fed is pursuing with the support of the Administration have contributed heavily to this persistent weakness. In contrast, real consumer spending on services has increased every quarter during Reagan's tenure; and spending on nondurables rose consistently until the first quarter of this year, when they dropped slightly at an annual rate of 1 percent.

Personal Consumption Expenditures
1981 - 1982

Quarterly data at seasonally adjusted annual rates
Billions of 1972 Dollars



Source: Department of Commerce, Bureau of Economic Analysis
p=preliminary

XI. CORPORATE PROFITS

Corporate after-tax profits rose rapidly in the late 1970s. As a result of the brief recession in 1980, after-tax profits for that year declined 2.7 percent from 1979. Following a recovery during the first quarter of 1981, profits have fallen off sharply. From the first quarter of 1981 to the first quarter of 1982, profits after taxes declined by 30 percent. This represents a record decline during any recession since World War II.

Profits before taxes have also declined more than during any previous postwar recession, dropping by 33 percent from the first quarter of 1981 to the first quarter of 1982. Partly as a result of the Reagan business tax cuts and partly due to recession -- lowered profits, corporate income tax payments have fallen by almost 40 percent.

Corporate after-tax profits are divided between dividends and undistributed profits, or retained earnings. Retained earnings, along with borrowed funds or new stock offerings, are the sources of the funds for corporations to finance investment. Lower earnings undermine corporations' ability or willingness to invest and of course high interest rates affect the cost of investment. Since the first quarter of 1981, corporations experiencing shrinking pre- and after-tax profits have chosen to increase dividend payments to stockholders rather than invest. Payments to stockholders have actually increased by 12 percent.

Corporate Profits

1972 - 1982

Year	Profits Before Tax (Billion $)	Tax Liability (Billion $)	After-Tax (Billion $)	Dividends (Billion $)	Undistributed (Billion $)
1972	100.6	41.6	58.9	24.4	34.5
1973	125.6	49.0	76.6	27.0	49.6
1974	136.7	51.6	85.1	29.9	55.2
1975	132.1	50.6	81.5	30.8	50.7
1976	166.3	63.8	102.5	37.4	65.1
1977	192.6	72.6	120.0	39.9	80.1
1978	223.3	83.0	140.3	44.6	95.7
1979	255.4	87.6	167.8	50.2	117.6
1980	245.5	82.3	163.2	56.0	107.2
1981	233.3	77.7	155.5	63.1	92.4
1981 I	257.0	87.7	169.2	59.6	109.6
II	229.0	76.4	152.7	62.0	90.6
III	234.4	78.1	156.3	64.8	91.5
IV	212.8	68.8	144.0	66.0	78.0
1982 I	171.8	53.7	118.1	66.8	51.3
Percent Change 1981 I - 1982 I		-33.0%	-39.0%	-30.0%	+12.0%
	-73	-30	[illegible]	[illegible]	[illegible]

Quarterly data at seasonally adjusted annual rates
Source: Bureau of Economic Analysis, JEC May 1982, Economic Indicators

XII. INVESTMENT STAGNATES

Expenditures for new plant and equipment were essentially unchanged during 1981, and the U.S. Department of Commerce has estimated that business investment will decline 2.4 percent in 1982.

Reagan's massive tax giveaways to business have been an abysmal failure in stimulating business investment. Any argument that these cuts haven't been in place long enough to judge their effectiveness can be totally rejected. Retroactive to January 1981, the business cuts have had a year and a half to generate the promised investment boom. It hasn't worked.

In actuality the huge and unbalanced tax cuts have deterred business expansion. The resultant deficits, and the Administration's support for a policy of slowing down monetary growth to a mystical range regardless of the consequences for the health of the economy, have pushed the cost of credit to levels which make investment prohibitively expensive. In addition, the Reagan recession has reduced business sales, thereby reducing cash flow as a source of funds for investment. The large proportion of existing capacity lying idle also serves to dampen business investment plans. Moreover, even during periods when the economy is growing, corporate tax cuts are not necessarily invested in new productive plant and equipment. The increased cash flow is used to finance investment overseas, speculation, dividend increases, mergers, acquisitions, and relocations.

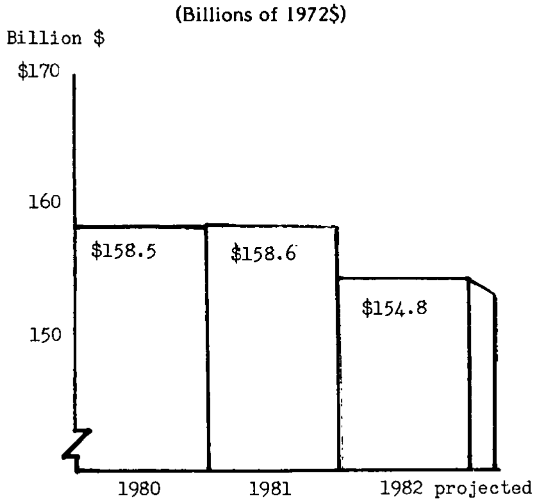
In the hysteria to cut taxes to promote capital formation, the underlying strength of investment was conveniently overlooked. By 1979, the share of real investment in real GNP rose to match its highest two peaks during the entire postwar period. Moreover, during the seventies, as a whole, investment's share in GNP was higher than during the sixties.

Investment has tended to track with GNP over the long term. Given this relative constancy of investment's share in GNP, moderation in the rate of increase in capital formation can be attributed to slowdowns in GNP growth -- due to external shocks to the economy like the oil crises of the seventies and to policies explicitly meant to engineer recession in order to curtail inflation.

Destroying the "demand-side" of the economy also destroys investment, and thus the "supply-side" of the economy.

Expenditures For New Plant and Equipment
By U.S. Nonfarm Business, 1980 - 1982

(Billions of 1972$)



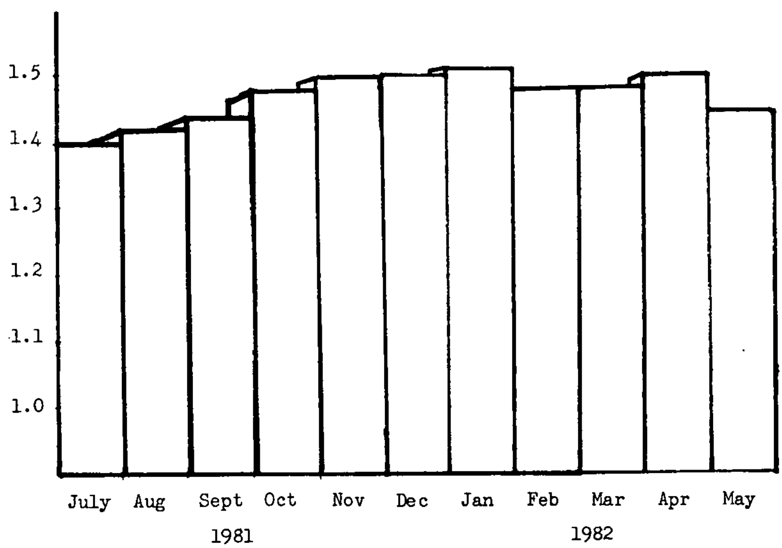
Source: Department of Commerce, Bureau of Economic Analysis

XIII. INVENTORIES

Manufacturing and trade inventories decreased $4.4 billion in May 1982 to an end-of-month level of $505.7 billion. This compares to an estimated increase of $2.5 billion in April. The May rise in retail sales reduced business stocks. As a result, the inventory sales ratio declined from 1.50 in April to 1.45 in May. With business inventories lean, increases in sales generally translate into strong upturns in production. Unfortunately recent reports indicate that retail sales declined in June, thereby dampening any need to increase production in order to satisfy demand and there is also evidence that inventories are not as "lean" as desired by businessmen.

Inventory Sales Ratio
July 1981 - May 1982

Total Business Inventories at end of month
divided by Total Business Sales for month



Source: Department of Commerce,
Bureau of Economic Analysis

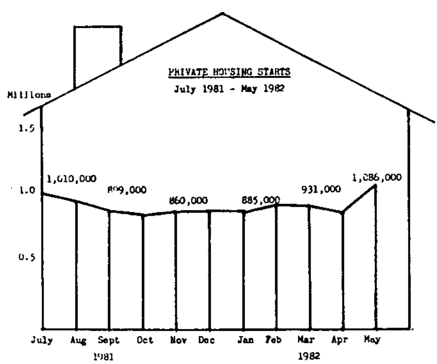
XIV. HOUSING STARTS SLUMP

Housing starts fell to a 35-year low in 1981 with a total of only 1.1 million units. The persistence of prohibitively high mortgage interest rates has prevented any rebound in the housing industry.

In July 1981, only 1,040,000 units were started (at a seasonally adjusted annual rate). From August of last year, housing starts remained below one million for nine consecutive months. This is the most prolonged decline in the post-War period. In May 1982, housing starts climbed barely above the million mark to a seasonally adjusted annual rate of 1,086,000 --still only half the rate reached in 1978, the last good year for the housing industry.

Starts of single family units have averaged only 582,000 during the Reagan recession. This is down one-third from 1980 -- an already depressed year for housing.

Mortgage rates are expected to remain high under the dual squeeze of the tax cut-induced deficit and slow money growth. In addition, the Administration has mounted an all-out campaign to eliminate federally subsidized housing construction. In sum, the outlook for the housing industry under Reagan's economic program remains grim.



Source: Commerce Department

XV. INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION

After four successive quarters of increase following the 1980 recession, industrial production peaked in July of 1981. The Federal Reserve Board index, which covers manufacturing, mining, and utilities, has declined in every month but one since then. From its July 1981 peak, industrial production fell 10.1 percent.

The fall-off in industrial production is reflected by the drop in utilization of industrial plants and equipment. In June of 1982, more than 30 percent of the nation's manufacturing capacity was idle. This is the highest level of idle capacity since the depths of the 1974-1975 recession. In the iron and steel industry, unused plant and equipment exceeds 50 percent and capacity utilization in the motor vehicles and parts industry is less than 60 percent.

Industrial Production

July 1981 - June 1982

(Federal Reserve Board Index 1967=100)

Date	Index	Percent Change From Previous Month
1981		
July	153.9	+ 0.7 %
Aug	153.6	- 0.2
Sept	151.6	- 1.3
Oct	149.1	- 1.6
Nov	146.3	- 1.9
Dec	143.4	- 2.0
1982		
Jan	140.7	- 1.9
Feb	142.9	+ 1.6
Mar	141.7	- 0.8
Apr	140.2	- 1.1
May	139.4	- 0.6
June	138.4	- 0.7
July 1981 - June 1982		**- 10.1**

Source: Federal Reserve Board

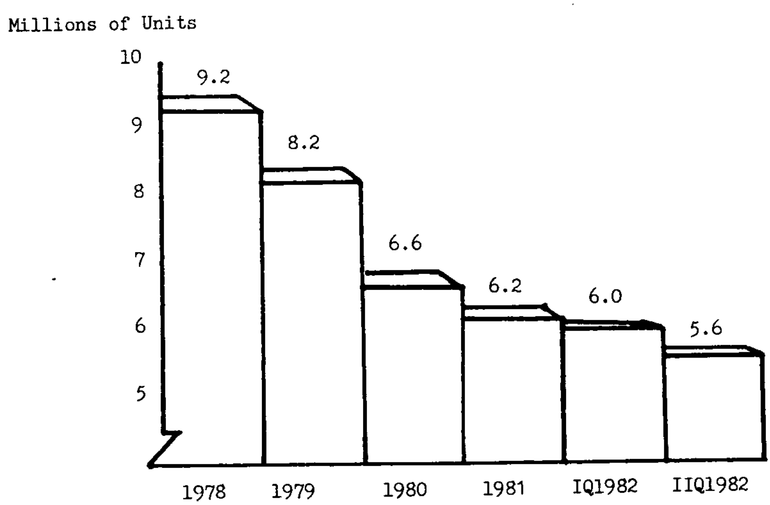
XVI. AUTO PRODUCTION

U.S. auto production fell by one-third in the last six months of 1981. Although it has increased some since January of this year, auto production was still 26 percent below the July 1981 level.

Auto sales for June 1982 of U.S. producers were at their lowest level for the month since 1958. In recent months, sales have fluctuated up and down but remain well below historic levels. In the first half of the year domestic auto producers sold fewer than three million cars (an annual rate of less than 6 million) for the first time since the 1950s. Sales of imported cars accounted for 30 percent of the domestic market in June. Nonetheless, combined domestic and foreign auto sales in the United States were down 11 percent in June 1982 compared to June 1981.

New Domestic Car Sales
1978 - 1982

(Millions of Units at Annual Rate)



Source: Department of Commerce

XVII. INFLATION REMAINS VOLATILE

The Consumer Price Index jumped 1.0 percent in May. This was a jolting reversal of the trend towards lower inflation which existed during the preceding several months.

The same items which accounted for most of the prior slowdown in inflation were responsible for the jump in the May CPI. In one month, home prices rose 2.8 percent, consumer energy prices rose 1.6 percent, and food prices increased 0.8 percent.

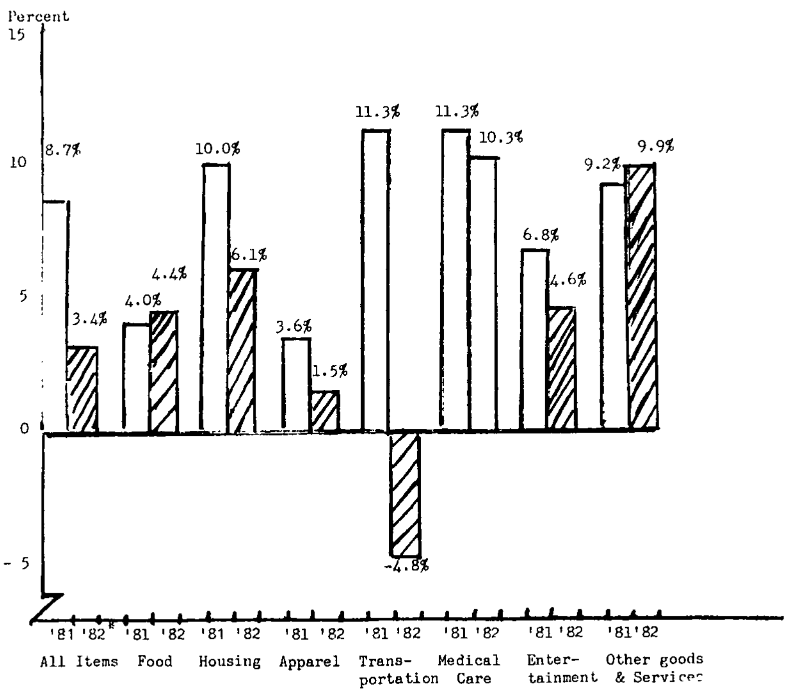
For the six-month period ending in May 1982, the overall consumer price index rose at a 3.4 percent seasonally adjusted annual rate. This compares to an 8.7 percent increase for the twelve-month period ending in December 1981. The primary sources of moderation during the most recent six month period were: food, which rose 4.4 percent, and was only slightly above the 4.0 percent increase for the full year 1981; housing, which increased only 6.1 percent compared to 10.0 percent in 1981; apparel, which increased 1.5 percent versus 3.6 percent in 1981; and transportation, which actually decreased at a 4.8 percent annual rate during the last six months, compared to a 11.3 percent rise during 1981. Some of this moderation was achieved by slamming the breaks on the economy. Much of the slowdown, however, was due to luck -- the coincidence of a huge oil surplus along with bumber crops in agriculture. The 4.8 percent rate of decline in the transportation component of the CPI resulted primarily from the oil surplus, and the continued moderation in food prices reflected the abundant grain stocks.

As illustrated by the sharp rebound in May, prices of these items, as well as the cost of shelter, are highly volatile. Less volatile in price, but equally important as a necessity for living, is the cost of medical care. Double-digit price increases continued to plague consumers of medical care during the latest six-month period.

Percent Changes In Consumer Price Index (CPI-W)

1981 - May 1982

12 months ended December 1981
Six months ended May 1982 at seasonally adjusted annual rate



CPI-W is consumer price index for urban wage earners and clerical workers
Source: "Consumer Price Index," BLS

XVIII. THE AFL-CIO ALTERNATIVE TO REAGANOMICS

The AFL-CIO Executive Council adopted a comprehensive economic program at its February 1982 meeting. This program provides a detailed alternative to Reagan's failed economic policies. A copy of the AFL-CIO alternative is attached.

THE AFL-CIO ALTERNATIVE TO REAGANOMICS

The Reagan Administration's economic policies, which caused the current recession, must be reversed. This recession has rapidly become the worst since the Great Depression.

The Republican Administration cannot blame anyone else for this recession. The recession started in July 1981 with Reagan's job-destroying, tight-money, budget-slashing policies. These policies must be stopped. Anti-recession, job-creating programs must be started immediately.

The unfair and excessive tax giveaways of 1981 must be changed to achieve greater equity, pay for the anti-recession program and reduce the runaway Reagan deficits. And the President's second-round budget cuts must be blocked.

The Administration has saddled monetary policy with an unbalanced fiscal policy resulting from President Reagan's huge tax giveaways to the wealthy. This abdication of fiscal responsibility by the Administration places excessive strain on the monetary system and leads to continued high interest rates that further worsen the recession.

The catastrophic economic problems the Administration has created are made even worse by a cruel and regressive ideology which rewards the rich, forgets the jobless, punishes the minorities, ignores the poor and destroys protections for working people, the elderly and the needy.

The President's 1982 State of the Union message and his budget message add up to a total disregard for human needs and for the economic and social costs of high unemployment and recession. Nothing in his proposals will help jobless workers or hasten economic recovery. The President's "New Federalism" should not divert public attention from the Administration's blatant failure. The President would thrust basic national responsibilities upon the states, which have historically failed their responsibilities. He would undercut the Constitution and turn America back to the chaos of the Articles of Confederation.

In the year since the Reagan Administration has taken office, adult breadwinners and blacks and other minorities have suffered worse unemployment than anytime since the Great Depression of the 1930s.

Official statistics concede that some 9.3 million men and women are now without jobs. But the true dimensions of the economic crisis are worse than the unemployment statistics.

In addition, another 1.2 million discouraged workers have stopped looking for non-existent jobs. These "hidden unemployed" don't show up in the government's unemployment rate.

Another 5.4 million workers want full-time jobs but can find only part-time jobs. These men and women and their families are suffering from reduced workweeks and reduced income.

Today America has nearly 16 million men and women who are suffering serious job loss and income loss. The real unemployment rate is 12 percent.

During 1982, one out of every three people in the labor force, more than 30 million Americans, will suffer some unemployment.

President Reagan tells us to wait. The Reagan Administration accepts the recession as unavoidable and engages in wishful thinking that a trickle-down investment boom will develop by itself in this depressed economy, even though the government's own statistics show that the business community has no such plans.

But millions of Americans are suffering and cannot afford to wait. Americans need jobs to put food on the table, pay the mortgage or rent and live in dignity.

Instead of acting to counter the deepening economic decline, the Reagan Administration has cut unemployment insurance benefits, reduced employment and training programs, and welfare assistance at the same time it has destroyed more than one million jobs, putting more people on the streets in search of help that's not there. One has to look back 50 years to see such a heartless official reaction to the hardship and suffering of millions of unemployed Americans.

The AFL-CIO calls upon the Congress to reverse these economic policies and set the nation on a path to full employment and balanced economic growth.

OPPOSE BUDGET CUTS

We urge the Congress to reject the newly proposed budget cuts of $41 billion which follow cuts of $33 billion last year. The serious impact of this new budget on workers and the poor is evident in a partial listing:

—Job training programs would be slashed even further from last year's cuts.

—Trade Adjustment Assistance would be practically eliminated.

—Railroad workers' retirement, unemployment and sickness insurance would be eliminated as a separate program.

—Medicare benefits for the elderly and severely disabled would be scaled back.

—Federal employment would be cut by 75,000 over the next two years.

—Federal pay increases would be capped at 5 percent, regardless of comparability with the private sector.

—Retirement benefit protections for federal workers would be lowered.

—Housing support for low- and middle-income families would be curtailed or eliminated.

—Maritime construction support (CDS and Title XI) would be eliminated and operating subsidies (ODS) phased out.

—Mass transit aid would be cut.

—Railroad transportation funds (Amtrak) would be reduced.

—Educational help to the disadvantaged would be lowered.

—Vocational education support would be trimmed.

—Student aid and student loans would be cut back even further than last year.

—Economic development aid to communities would be terminated.

—Sewer and water treatment support would be postponed.

—Energy programs would be curtailed.

—Energy assistance to low-income families would be cut.

—Child nutrition would suffer further cuts.

—Welfare and food stamp programs would be sharply curtailed.

—Medicaid for the poor would be further reduced.

—Day care, foster care, adoption and child welfare would receive less.

RAISE REVENUES

In order to provide the funds for national priorities and basic protections to workers and the poor, as well as to provide funds for new job programs, the AFL-CIO calls upon Congress to undo the worst aspects of last year's tax giveaways to corporations and the wealthy. We also propose the closing of some long-standing tax loopholes.

Specific changes in the 1981 tax law should:

—Cap the 1982 and 1983 individual tax cuts at $700 per family.

—Repeal the leasing of tax credits by corporations.

—Repeal the new loopholes in the oil windfall profits tax.

—Modify the widened estate and gift tax provisions.

—Repeal the future indexing of tax rates.

In addition, Congress should correct these tax loopholes:

—Change the foreign tax credit to a tax deduction.

—Repeal the foreign tax deferral privileges.

—Repeal the tax deferrals of the Domestic International Sales Corporation (DISC).

—Repeal the immediate write-off of oil and gas drilling costs and the special depletion allowances.

—Reduce the investment tax credit to its former levels.

—Apply the lower corporate income tax rates only to corporations with profits of less than $100,000.

—Phase out the special capital gains exclusions.

—Repeal the special capital gains at death exclusions.

Defense expenditures should be scrutinized carefully, and any increases found necessary should be financed by a separate and equitable surtax on corporations and individuals.

CREATE JOBS

The Congress needs to enact a number of programs to provide jobs, alleviate the suffering of the unemployed, and turn around the worsening recession:

—Invest in public infrastructure for the nation's deteriorating communities, including sewer, highway, bridge, mass transit, railroad, and other needed facilities.

—Invest in human capital through effective training of the unemployed and provide public employment opportunities for those who still cannot find work after lengthy searches.

—Encourage low- and moderate-income housing.

—Establish a Reconstruction Finance Corporation to rebuild the nation's industrial base by aiding sectors of the economy and of the country that need special assistance through loans, grants or guarantees.

—Limit harmful imports that aggravate the impact of the recession and weaken key industries.

—Extend unemployment insurance benefits to protect the long-term jobless.

The Congress should reject the Administration's call for "enterprise zones" that would create new subclasses of citizens and instead, strengthen programs that directly address the problems of unemployment and deteriorating neighborhoods.

The President and the Federal Reserve should exercise their authority to control credit and channel funds to productive purposes, including housing, and to restrict unproductive credit flows for corporate mergers, speculative excesses and foreign investment.

The undue reliance on tight money policy, huge budget cuts in social programs, and big tax cuts for the wealthy must be reversed. Tax policy must provide sufficient funds for the nation to fulfill its responsibilities to its citizens, and to provide appropriate balance to the Administration's one-sided monetary economic policy. Budget cuts cannot become an end in themselves—but should be evaluated in terms of justice and need.

The AFL-CIO is convinced that this alternative economic program will put the nation on a path to achieve full employment, stable economic growth, fairness in sharing burdens and a society with compassion for those who have too little.

ALTERNATIVE TO REAGANOMICS

The Alternative provides for: Increase revenues from undoing the worst aspects of last year's tax giveaways, scrutinizing defense outlays and financing any required increases with a corporate and individual surtax, restoration of newly proposed budget cuts, and establishing new jobs programs. It points out ways to raise additional revenues by closing specific tax loopholes:

INCREASED REVENUES

Increased Revenues from Revisions of Tax Law	**Anticipated Revenues (in billions)**
Cap the 1982 and 1983 individual tax cuts at $700 per family	$20
Repeal the leasing of tax credits by corporations	8
Repeal the new loopholes in the oil windfall profits tax	2
Modify the widened estate and gift tax provisions	1
Repeal the future indexing of tax rates	—
Total	$31 billion
Increased Revenues from Savings	
Scrutinize defense outlays and finance any required increases with a corporate and individual surtax	
Current proposed defense budget increase	$33
Total	$33 billion
Total of Increased Revenue & Savings	**$64 billion**

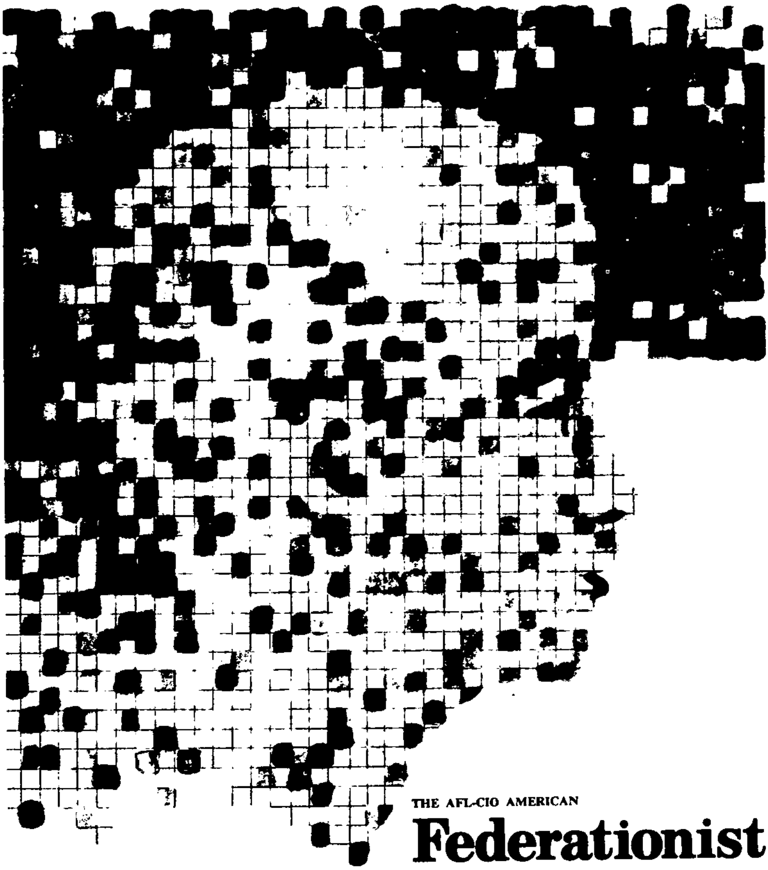
NECESSARY OUTLAYS

New Jobs Programs	**Anticipated Expenditures (in billions)**
Invest in public infrastructure for the nation's deteriorating communities, including sewer, highway, bridge, mass transit, railroad, and other needed facilities	$ 5
Invest in human capital through effective training of the unemployed and provide public employment opportunities for those who still cannot find work after lengthy searches	5
Encourage low- and moderate-income housing	5
Establish a Reconstruction Finance Corporation to rebuild the nation's industrial base by aiding sectors of the economy and of the country that need special assistance through loans, grants or guarantees	4
Limit harmful imports that aggravate the impact of the recession and weaken key industries	—
Extend unemployment insurance benefits to protect the long-term jobless	4
Total	$23 billion
Restore Budget Cuts	
Restore Proposed Budget Cuts	41
Total	$41 billion
Total New Jobs & Restoring Budget Cuts	**$64 billion**

ADDITIONAL REVENUES

Additional Revenue Raising Proposals Achieved by Closing Specific Tax Loopholes	**Anticipated Revenues (in billions)**
Change the foreign tax credit to a tax deduction	$10
Repeal the foreign tax deferral privileges	1
Repeal the tax deferrals of the Domestic International Sales Corporation (DISC)	2
Repeal the immediate write-off of oil and gas drilling costs and the special depletion allowances	6
Reduce the Investment Tax Credit to its former levels	7
Apply the lower corporate income tax rates only to corporations with profits of less than $100,000	9
Phase out the special capital gains exclusions	6
Repeal the special capital gains at death exclusions	6
Total	$47 billion
Total Additional Revenues from Closing Loopholes	**$47 billion**

The Journal of American Labor



THE AFL-CIO AMERICAN

Federationist

[From the Wall Street Journal, June 24, 1982]

THE VICTIMS: SHOCK IS LONG-LASTING FOR WORKERS SHELVED BY FACTORY SHUTDOWNS

(By Thomas F. O'Boyle)

YOUNGSTOWN, Ohio.—In November 1979, U.S. Steel Corp. announced that it would permanently close two aging steel mills here, the McDonald and the Ohio works.

That was big news locally—some 3,600 people worked at the two plants—but it was overshadowed elsewhere by an even bigger story: All told, U.S. Steel was closing 16 facilities employing 13,000 workers. A recession wasn't to blame; one wouldn't officially start for another two months. Rather, U.S. Steel was simply ridding itself of inefficient, profit-draining plants.

Those closings would prove a harbinger of an industrial retrenchment now sweeping steel, autos, rubber and other basic industries. The recession has hastened the process. In steel alone, more than 100,000 hourly workers, or about 40% of the industry's work force, are on layoff as mill operating rates sink to levels unseen since the late 1930s.

Grim as these statistics are, they mask a more fundamental change: When the recovery comes, some economists believe, up to 40,000 of the steelworkers now on layoff won't be recalled. Their jobs will have been lost for good in an industry that has totaled up import competition, minimal demand growth and the benefits of more efficient technology—and concluded that small is better.

SOME NEVER RECOVER

What will happen to these expendable workers? The early prognosis isn't pleasant. Barry Bluestone, a Boston College economics professor who has studied workers affected by previous plant closings, has found that "many appear to make no complete recovery even after a number of years, and some victims never recover." Displaced workers, Mr. Bluestone says, have a higher probability of losing a job after finding new employment, and a higher incidence of physical and mental ailments, than other workers.

Plant closings typically result in unemployment for a year or more. For instance, a Cornell University poll taken last year when the current economic downturn was beginning, found that 18 months after Ford Motor Co. closed its Mahwah, N.J., assembly plant, 56% of the nonretired former employees there were still jobless.

Displaced steel and auto workers who do find new jobs are generally paid less than before. That is largely because their skills aren't easily transferable and because the union at the new workplace, if there is a union, is usually weaker than the old one. One study found that two years after the end of a job, the average annual earnings loss was 47 percent for steelworkers and 43 percent for auto workers. After four years, both groups still earned 13 percent and 16 percent less, respectively, then they used to.

STATISTICS AND PEOPLE

Here in Youngstown, little is known statistically about what has happened to the 3,600 U.S. Steel employees whose jobs ended in the spring of 1980. The whereabouts of many are unknown. About 35 percent are believed to have taken early retirement while perhaps another 10 percent have yet to find any work. About 25 percent transferred to other U.S. Steel facilities and have since been laid off again.

Behind the estimates, however, are real people. The stories they tell aren't all sad. Some who left U.S. Steel with a good pension are enjoying the respite from the heat and noise of steelmaking; a few have found better jobs. But most remain in shock, still unable to believe that what once was is gone.

THE WELFARE RECIPIENT

James Whittaker's three children keenly watch the mailbox outside their apartment house at the beginning of each month. That is when the mailman delivers the welfare check. They know that with the $381 their father receives, he will treat them to a meal at McDonald's or maybe the local pizza parlor.

Yet the outing that brings smiles to the children deeply pains Mr. Whittaker. For him it is a forceful reminder of how much his family has lost in the two years since his job at the McDonald Works ended.

"I keep remembering how things were back then," the 42-year-old former millwright says, crying. "Boy I really thought I had it made, I had everything to give to my kids. Now it's a treat to take them to McDonald's." He recalls the summer days at local county fairs where he would spend $300 or more on gifts, rides and food.

As a steelworker who made almost $30,000 in 1979, his last year of full employment, Mr. Whittaker could afford such extravagance then. Today, he and his wife, Darlene, have been on welfare for more than a year since his unemployment coverage lapsed. In addition to the monthly checks, Mr. Whittaker collects $189 in food stamps ($223 until recently) and lives in a cramped but clean federal housing project in Warren, Ohio, northwest of Youngstown paying $22-a-month rent.

The federal handouts embarrass Mr. Whittaker, a burly, slightly balding man. Often he ducks out of grocery stores while his wife pays the cashier with food stamps.

The only jobs Mr. Whittaker has been able to find pay the minimum wage. But he can't afford to accept $3.35 an hour, he explains, because that wouldn't be enough money to offset what the family would lose in federal benefits. Also, any job would most likely make them ineligible for Medicaid. The Whittaker's seven-year-old daughter, Tracey, needs an operation this summer to correct some hearing problems in her left ear.

In his search for a decent job, Mr. Whittaker uprooted his family and moved to Arizona in October 1980, only to discover that a $10-an-hour job promised to him had vanished. While there, he defaulted on a loan for his Chevy pickup truck and the credit union repossessed it. A friend who had cosigned on the loan was later forced to file bankruptcy to protect his home from a sheriff's sale.

Mr. Whittaker, meanwhile, has sold most of his personal possessions, including his gun collection and tools, at flea markets to raise money. He makes a few dollars here and there by painting houses and doing other odd jobs.

But the prospect of continued unemployment is almost unbearable. A friend in Texas says he can find him a millwright job there. Unless something turns up in Youngstown by fall, Mr. Whittaker plans to move to Texas, leaving his family behind for a while—but only if he can raise the $500 or so that he will need to relocate.

"I lay awake at night trying to figure out what the hell we're going to do next," he says, swallowing a pill to combat high blood pressure. "I get so damned discouraged sometimes."

THE SUCCESS STORY

Wallace Thomas, Sr., is a survivor, but he knows all too well the human misery that plant closings can cause. In the final days at the McDonald plant, he worked in the personnel office, informing steelworkers of their benefits before they were officially discharged. It was a grim job. "I remember a lot of stunned faces," he says. "It's very unfortunate when you have to tell a person that his benefits are going to run out. I never want to go through that experience again."

At the same time Mr. Thomas, who had been with U.S. Steel for 15 years, had questions about his own future. Those fears were resolved when he was hired as benefits administrator for American Welding & Manufacturing Co. of Warren, Ohio, a maker of aircraft engine parts. He left U.S. Steel on a Friday and began work the following Monday at American Welding.

Today Mr. Thomas, 46, makes $27,000 a year, about 20% more than he did at U.S. Steel. He thoroughly enjoys his new job. His wife and four children suffered no hardship. The only bad feature he can think of, in fact, is that it now takes him half an hour to drive to work from his home in Youngstown instead of seven minutes. "I've been one of the more fortunate individuals," he says.

But prosperity hasn't made Mr. Thomas smug or insensitive to the plight of the 113 employees who are now laid off at American Welding. He tries to process company-paid unemployment compensation as quickly as possible, and he meets with each laid-off worker to explain benefits. It is a smaller operation than at the McDonald Works, he explains, so he can give more attention to an individual's problems. Judging from the constant flow of phone calls to his office, the problems are never-ending.

EARLY RETIREMENT

Before getting a part-time job as a security guard, Robert Naymick enjoyed a life that most unemployed steelworkers would envy. He spent nearly all his time playing pinochle or poker at a local senior citizens' center in Youngstown. He was also free of financial worries: His children are gone, the mortgage on his house is paid off and he collects a $968 pension each month—less than half the amount he made while working in the chemical plant at the Ohio Works but enough to pay the bills.

At 52, though, Mr. Naymick felt too young to be content playing cards with the older men. "I have at least 10 more productive years to give and no one to give them to. It's frustrating," he says, chewing a wad of tobacco. Finally, to alleviate the boredom, he took the security-guard job about two months ago, at the minimum wage.

The salary is welcome, but Mr. Naymick realizes he is lucky to have qualified for a pension. Some older workers didn't and are out scrounging for minimum-wage jobs. "When I look at some of the other guys I worked with, I'm thankful as hell," he says. His age and 32 years of service, added together, surpassed the magic number of 65, a formula for those with a minimum of 20 year's service that determines who is eligible for early-retirement benefits.

Mr. Naymick's financial troubles are small ones. He is still driving a 1976 Ford Elite, for instance, a car that otherwise would have been traded in for a newer model. And the trip to Hawaii that he and his wife have put off each year is now on hold indefinitely. "We'd really be sitting pretty if U.S. Steel hadn't pulled the plug," he says.

THE TRANSFER

When Ronald Zins began working at U.S. Steel's Lorain, Ohio, works on May 5, 1980, he thought he was getting a fresh start. Unlike the dilapidated Ohio Works, where he had worked for 12 years as a welder, Lorain wasn't about to die; the sprawling plant on Lake Erie made U.S. Steel's most profitable product, steel pipe, which then was in great demand for energy exploration. The 1,000 other workers who transferred to Lorain from Youngstown presumably shared his optimism.

Now many of those who chose to transfer are once again unemployed, casualties of the depressed steel market. Mr. Zins took the transfer when U.S. Steel offered it because, at 41, "I figured I had too much time with the company to just quit," he says. By staying with U.S. Steel, he maintained his pension status. What Mr. Zins and many others say they didn't realize, however, is that their company seniority would be meaningless at another plant. Under provisions of the United Steelworkers contract, they would be treated like any other "new hire" and would, consequently, be the first to go if business conditions brought layoffs.

"GETTING THE SHAFT"

"I think we're getting the shaft. We earned the right to seniority," says Mr. Zins, who was furloughed in early March. Since then, he has helped form an organization called Workers for Action, which is seeking legislation to protect workers who lost their jobs through plant closing. "I believe in our system," he says, "but too many people's toes are being stepped on in the name of almighty profits."

Meanwhile, his wife, Larinda, is looking for a job. Her husband's unemployment checks of $233 a week run out at the end of August. And while as longtime renters they don't have the added strain of a home to sell in Youngstown or a mortgage to pay in Lorain, they do have four daughters, one of whom is in college.

Mrs. Zins isn't sure what they should do. "If we move back to Youngstown and Ron gets called back (at Lorain), we'll be in the same position we were before," she says. "The future doesn't look too good now."

SUN BELT RELOCATION

Like many of his friends raised in Youngstown's working class neighborhoods, Albert Townsend dropped out of high school in the 11th grade to take a job at the McDonald Works. Most of his 11 years at the mill were spent doing the same job, cutting steel with foot-operated shears. U.S. Steel was the only employer he ever had. He lived with his parents in the house he grew up in. Life was, in short, reassuringly predictable.

No longer; Mr. Townsend, 31, has lived a nomad's existence for the last 14 months since moving to Phoenix, Ariz., with his wife, Grace, and two children from her previous marriage. Today he empties trash cans, sweeps carpets and does other custodial work in a downtown Phoenix office building. It is the fourth job he has had in Arizona. He makes $4.50 an hour, or about half his hourly rate at U.S. Steel, but his gross pay is much less than half because he works only 25 hours a week.

"It isn't very satisfying work," the gaunt Mr. Townsend says, "but it's an income. At least I'm working. Back East, I wasn't, and I probably still wouldn't be."

SAVINGS USED UP

Unable to find even a minimum-wage job in Youngstown and lured by a friend's assurances of employment in Phoenix, Mr. Townsend and family stuffed what belongings they couldn't sell into a Volkswagen Rabbit and, in May 1981, began their 2,400-mile journey.

Jobs were plentiful in Phoenix, but wages were surprisingly low and the relocation was a financial strain. In less than three months the Townsends exhausted all their personal savings, or about $3,000. Mr. Townsend estimates that he and his wife made $10,000 in their first year in Phoenix, or half the amount he alone earned in his last year at U.S. Steel.

Other adjustments made life unsettling. For a variety of reasons, their current apartment is the fourth place they have lived in here so far; the children have been in three different school systems. The hot weather took some getting used to. So did the absence of relatives and old friends. "The feeling of isolation was tremendous," Mrs. Townsend says. "I was brought up in a very close-knit Italian family. I still miss my Mom." They haven't been back to Youngstown since they left and don't plan to return anytime soon.

But for Mrs. Townsend, perhaps the hardest thing to accept is the changes she has seen in her husband. He was always a worrier and somewhat of a pessimist, she says, but at times over the past two years "Al's been looking for the final blow to finish us off." She adds: "Life was planned and the plans went down the tubes. Now we're just fighting to survive. I don't know if he'll ever quite be the person he was before." She hopes he will someday find a better job, perhaps in the electronics industry.

His mood is improving, though. "He has learned to accept it now," she says, "but he'll never understand it. I don't think any of us ever will."

[From the Flint (Mich.) Journal, Apr. 11, 1982]

Deep Trouble: The Robison Family of Four Faces Eviction and Debt

(By David V. Graham)

Like many area unemployed families, Rickey A. Robison and his family are in deep trouble.

They have been served with an eviction notice, their car was repossessed last year and they are still facing large unpaid bills. Their story is becoming a familiar one in the Flint area.

Robison, a 25-year-old autoworker first laid off in January 1980, was recalled briefly last summer to the Chevrolet Flint Manufacturing Complex before getting laid off again.

His unemployment benefits—including General Motors supplemental unemployment benefits and federal Trade Adjustment Assistance—have long since run out.

His wife, Suzanne, 21, worked several months as a part-time nurse's aide until she quit in November when she discovered she was pregnant and could not handle the heavy work any longer. The couple already have two pre-school age children.

Although the family is on welfare and is receiving food stamps, the Robisons are still in trouble. They admit part of their problems is their own fault, that they overspent when he was working and didn't save when he was drawing 95 percent of his take-home pay.

"Its terrible living on welfare," Mrs. Robison said. "It isn't easy when you are used to $230-a-week shop pay."

Last week, they were served with an eviction notice because they are a month behind on the $58-a-week house rent. They have only been in their east side home at 1722 Pennsylvania since January.

Last year, their car was repossessed because they were several months behind on the payments; they get by now with a borrowed car that they say they cannot afford to buy gasoline to keep running. They still make payments on the repossessed car when they can afford it because the bank sold it for less than what they owed on it.

He still owes the Genesee County Friend of the Court several hundred dollars in child support from when the couple was separated for several months late last year. The couple agree the separation was caused in part by the frustration and problems stemming from their mutual unemployment and lack of funds.

They are behind on a number of bills, including a bank loan for a new washer and dryer, and a number of products they say they foolishly purchased from door-to-door salesmen even while they were unemployed. They are even still making payments for a health spa membership that has long since expired.

Realizing their credit ratings have been shot, the Robisons have succeeded in making some advances in paying off their outstanding bills. An income tax refund enabled them to pay off a $300 Consumers' Power bill from their last residence and they have paid off a few medical bills run up after Robison's Blue Cross benefits expired.

Like some other laid-off autoworkers, Robison said he did not begin saving money or looking for another job until months after he was laid off because he said he expected to be called back to the shop anytime. Those few efforts have been futile.

Now, he says, he does not expect to be recalled because he does not think the auto industry will recover.

"Even if I do get recalled, I'd expect to get laid off again sometime," he said. "I want to get into something more stable."

In search of a more stable career, Robison has taken some adult education classes in the medical field. There have been some setbacks.

Last year, he took some Mott Adult Education classes in pharmacy, medical terminology, data processing and typing. He said he was getting straight A's in his classes until he was recalled to Chevrolet in August with a week to go before completing them.

"I had to quit because my classes were in the morning, afternoon and early evening," he said, "There was no way I could work second shift and go to class too."

He only worked a week before going on sick leave, he said, because of a bout with pneumonia. He was off two weeks before returning to work for a week or two before being laid off. He hasn't worked since.

He applied for Trade Adjustment Assistance money to finance a return to school, but he said he was turned down because he got incompletes for his failure to complete the first series of classes. So he signed up for an advanced first aid class with the Davison Adult Education program.

After completing that 11-week program, Robison said he applied for a job at a Flint ambulance company, only to learn that the company is only hiring emergency medical technicians.

Robison dreams of attending Mott Community College to get that advanced medical training, but fears he will not be able to afford the tuition. Suzanne thinks about going to beauty school after her third child is old enough.

He said he has been to several potential employers looking for a job but so far has not even got a nibble.

They didn't save money, either while he was working or while he was drawing 95 percent of his factory pay for the first few months after he was laid off. They say they do not have the money to move to another state to look for a job.

"I wish I hadn't gotten over my head while I was still working," he said. "I made the mistake of thinking I was always going to be working overtime seven days a week."

The third big regret is that they both were suckers for door-to-door salesmen, sometimes even while he was unemployed. They purchased a vacumn cleaner, a set of encylopedias and a series of family portraits. They are still paying for them.

"I keep looking through the want ads and they (potential employers) always want someone with experience," he said. "The only way to get experience is if they hire you or go to school."

He said he does not want to even bother applying for a minimum wage job.

"A minimum wage job would mean they (the state) would just deduct what I made from the ADC check," he said. "And we can't afford to lose our Medicaid for a job that doesn't have any benefits."

Mrs. Robison is equally unhappy about the prospect of a minimum-wage job. "He would need to work two full-time minimum wage jobs to make it," she said. "I would need one too."

Robison said he feels frustrated and bored.

"It hurts being unemployed," he said. "I can't buy my kids nice things like I got when I was a kid."

"Owing money to everyone gets to you," he said. "And we're bored—we got nothing better to do than fight."

The Robisons say there is plenty of blame to go around.

They blame the federal government for the high interest rates, General Motors for high car prices and even the autoworkers themselves for driving GM's costs up.

"Too many workers created problems with (excessive) sick leaves, missing work, all the things that cost GM too much," he said.

Robison and his wife have a number of regrets.

One is that three days after he started working in the factory in May 1977, he got a call to go to work full time for the U.S. Post Office. He turned it down.

"It would have been less money, but at least I would have a job now," he said.

[From the Flint (Mich.) Journal, Apr. 12, 1982]

SUICIDES, BREAKDOWNS TAKING TOLL

(By Ron Krueger)

Michael is one of M. Harvey Brenner's cruel statistics in Flint.

In February, Michael (not his real name), a 25-year-old who had been unemployed virtually ever since graduating from high school, put the barrel of a shotgun to his head and pulled the trigger.

Michael's father told police his son, who had always lived at home, had been severely depressed for some time about being out of a job.

Brenner, a Harvard University sociologist, wrote a book in 1976 in which he cast an alarming statistical cloud over the correlation between unemployment, deaths and various forms of personal breakdown.

Brenner theorized that, for each 1 percent increase in the national jobless rate, 36,800 deaths occur. About half of these would result from heart attacks. Others would result from alcoholism, homicide and suicide.

In addition, he said, 4,200 people would be admitted to mental hospitals and 3,340 would go to prison.

While some dispute the numbers Brenner puts to his thesis, the correlation is unassailable.

Virtually every measure of social breakdown has climbed in Genesee County in the past two years.

Major crimes in the city of Flint rose 13 percent last year, led by arson, burglary and robbery.

Agencies that deal with problems related to alcohol and drug abuse report being swarmed with clients, many of whom had lost their jobs.

And the area's economic troubles no longer are limited to affecting the unemployed. Those concerned about the possibility of unemployment are also feeling the strain.

For example: Nearly three-fourths of the assailants of women who seek refuge at the Flint YWCA are men who have no jobs, according to Jenny Cox, who directs the Y's domestic-violence and sexual-assault programs.

Cox said the Y's domestic-violence cases have increased 76 percent in the past year.

Community-service workers at area union halls say they no longer can just concern themselves with employees troubled by alcohol and drugs. They report being besieged by otherwise stable workers anxious and angry about the possibility of losing their jobs.

Jackie Loiselle, a therapist at Insight Inc., a drug counseling agency, said the overriding uncertainty is affecting nearly everyone.

"There are too many rumors, there's not enough warning on layoffs and plant closings. Nobody seems to know what's going on."

Counselors manning the 24-hour crisis hotline at Genesee County Community Mental Health report the tone of calls has reached a disturbing level of anger and desperation.

"Guys call saying they're afraid they're going to hit somebody—or they already have hit somebody," said Anthony A. McPherson, head of the Flint Regional Emergency Services, a unit of Community Mental Health.

And why not? Thousands of area residents—only three years ago buying new houses and planning fancier vacations—today are facing the reality that their factory jobs may have disappeared forever.

They face the unpleasant options of stringing out their unemployment pay while looking for lower-paying work or cutting the lifeline of support from families and friends by moving to the Sun Belt.

McPherson said there is a valid comparison between the stages of feelings that people endure when they lose their jobs and when they are told they have a terminal disease.

"Two years ago, when the plants first started laying off workers in large numbers, many workers were denying that anything was wrong; they were getting just another paid vacation," he said.

Yet, even then there were signals the auto industry was in for some rough sledding, he added.

Today, with thousands of residents having exhausted unemployment benefits, the edge of the cliff seems to loom closer and closer.

"It's depression, anger and guilt wrapped into one for a lot of people," McPherson said.

He said crisis counselors are getting seven to nine suicide calls each day. But he said it's those who don't call he really worries about.

"People who call us may be reaching out for the support that will get them through their crises," McPherson said. "Those who don't, whose desperation just keeps eating at them, are extremely vulnerable."

Some crisis-line callers are wives who report their husbands are acting strangely, said Vera Massey, a volunteer working for McPherson.

"Some have told me their husbands are getting out their life insurance policies real quietly and looking them over," she said.

In an area in which generations of families have gone to work in the shops, McPherson said, the loss of thousands of high-paying, low-skilled jobs is like an earthquake.

"You hear from people who are angry at GM for laying them off without providing them with any skills and people who are mad at themselves for not pursuing a 'real' career," he said. "One caller said, 'I'd always wanted to be an engineer, but my girfriend said she wanted to get married and I went into the shops. I should have listened to Mom.' "

"That kind of lashing out, that guilt, is futile, but it goes with the territory."

McPherson said the real casualties are those who spend too much time at any one stage of "grieving" the loss of job and role status.

"Some people are lucky. Losing a job is an opportunity to do something you've never had the nerve to do before, like the guy who always had wanted to be a policeman and found a job in Florida.

"But if you aren't prepared psychologically to shift gears, if you've never dreamed about doing something else, then it's just overwhelming."

Some laid-off autoworkers say they find their GM experience a liability, McPherson said.

"Callers tell us that employers don't want them for lower-paying jobs because they were in the union or because they were used to the high wages and will go back to GM as soon as things improve," he said.

Deborah Carl, a community-services worker for UAW Local 598 at the Chevrolet Truck Plant, said pride is both a virtue and a curse to the unemployed.

One of her roles is to help those laid off, but they often don't call, or call somebody else, she said.

"When I talk to people, they say they're making it," she said, "but I find out that they've called down to United Way or somewhere else with really serious financial problems."

She said she can understand that some do not want to admit to someone from their union that they aren't making it.

But the real problem, she suspects, is that to call for help is viewed as an admission of giving up, of losing hope.

"Even though there are 1,500 of our members out on the street, if you are one of them, it's still lonely and scary."

[From the Flint (Mich.) Journal, Apr. 13, 1982]

NIGHTMARE—AFTER THE LAYOFF SLIPS, FAMILY TRAGEDY

(By David Vizard)

The first thing they took was her car. Then, they turned off her electricity, and finally, they took away her home.

"They" are Vanessa Lucas' creditors. And she it trying to reorganize her life after being devastated by unemployment.

Lucas is drawing what remains of her jobless benefits and hoping to get a fresh start after losing almost everything she'd worked for.

But it wasn't always this way. Just three years ago, she and her husband thought they had it made. He worked at the Fisher Body Flint Plant and she had a job at the Chevrolet Engine Plant.

Together, they had a healthy income. And with it, they made down payments on a new home, two cars and some new furniture. They had money to spend. And they also had their first baby on the way to go with her 6-year-old daughter. Everything seemed to be going right for them.

But, suddenly, their dream world started to unravel.

The recession that started to creep up on Flint in late 1979 cost her husband his job. He was one of the casualties in the first round of auto-industry layoffs here. Since then, thousands of others have become victims of this deepening recession—what some economists openly refer to as a full-blown depression.

With slim prospects for a quick turn-around in Flint's economy, there is a growing fear that many are likely to become casualties like Vanessa Lucas, whose fortune started to turn sour when her husband lost his job.

"We split up about a year ago," she said. "But I don't blame him. He was out of work for about a year and I was still working. We had big money troubles—a lot of pressures, a lot of tension. He couldn't take it anymore, and finally, he left.

"We've tried to patch it up over the last year. When I was in the hospital with pneumonia and blood clots last year he helped us out as much as he could. It's been on and off."

Soon after Lucas' husband left, the burden of trying to pay off, with one paycheck, bills that were expected to be paid with two incomes became too much for her. She says she fell about three months behind on her car payments, and the loan company repossessed her car.

Things continued to get even worse. She was falling behind on her house and other payments when she lost her job last September, and had to depend on jobless benefits to pay off her bills.

"I fell behind two or three different times, but I was able to catch up," she said. "But then I just couldn't stay on top of it anymore. I was way behind again, and the mortgage company had me evicted March 9.

"That was after my lights were turned out in January and February. They left my gas on, but the lights went out a couple of times. Maybe I didn't manage my money as well as I should have, but everything was falling apart all around me. I thought I was all washed up. I started seeing a psychiatrist—everything was just a big mess."

At times, she said, she even has had trouble keeping food on her table and clothes on her two children.

"Every time we needed food, or the kids needed shoes, I went out and pawned something," she said. "I lost my wedding rings because I didn't have the money to get them back and they were sold. And I've pawned my TV set so often that sometimes I think I should put a string on it.

"But I don't let my kids do without. If they needed something, then I found a way to get it for them. As it is, I know they eat too much starch and don't get enough meat. But I do the best I can."

Since the eviction, Lucas has stayed with friends. Her 9-year-old daughter, Trina, stayed with her mother for a while. She took her 21-month-old son, Sekou-Abdull, with her.

With her state unemployment benefits and General Motors supplemental unemployment benefits running out, Lucas is looking for work, and hopes to start on some kind of training program.

"When I was laid off, they said it was just temporary," she said. "They said I'd probably get called back within a couple of months, but I don't hold out much hope of ever going back. GM is in trouble, Flint is in trouble. I know a lot of people are hurting. It's probably going to be a long time before things get any better here.

"But I'm going to try and find a day job. I know things are tight, but I'd do about anything—housework, whatever—as long as it will pay enough for us to get by on. Maybe I can get into some kind of training at night—I'd like to be an X-ray technician—and see if I can't get my life turned around."

[From the Milwaukee Journal, Apr. 20, 1982]

Recession Wakes Family From American Dream

(By Barbara Salsini)

All Bob and Barbara Duket ever wanted was a nice home, nothing pretentious—a house surrounded by a white picket fence, everybody's dream—a family and a secure job.

"That's about all either one of us ever wanted," Barbara said. They got the home—a modest but pleasant house on Milwaukee's West Side—and the family—in the person of Shawn, now 4.

As for the job, well . . . when Bob turned 31 on March 6, he marked his second birthday of unemployment. Not much to celebrate, but Barbara splurged on an aquarium, something they could all enjoy.

An Allis-Chalmers worker since 1974, Bob went through three layoffs in 1981, working only 12 weeks during the year.

He and Barbara, 27, have both been looking for work. He thinks he will be called back to Allis-Chalmers soon, but this last year has been an ordeal.

BELIEVE IN MOTTO

The Dukets were interviewed in their living room, where one wall displays a framed needlework picture on which Barbara embroidered: "Family Is Forever."

It's a motto in which this couple staunchly believes.

Barbara was working as a dental assistant, but when Bob's job seemed secure, she decided to quit and perhaps have another child.

"I quit on Monday and he was laid off on Friday," she recalled.

Both feel that the strain of unemployment has affected their health. Barbara had a miscarriage last year, brought on at least partly, she said, by the stress.

Bob, who has epilepsy, had a grand mal seizure and pneumonia in January, again partly because of the stress of being out of work, he said. Medical bills are always high.

Sleep patterns change under such strain, they noted. Barbara sometimes takes three-hour naps in the afternoon, walking up just as tired as when she went to bed.

Bob will stay up into the early hours of the morning and watch television. And think.

"You're constantly thinking," he said. "When you're trying to fight to save the house that you're living in and buying food, it's more of a strain."

They worry that their tensions and arguments are hurting Shawn, who has become noticeably clingy, Barbara said.

"We see the temperament show up in him, and the frustration, because our patience with him comes in spurts. If we're edgy, we get impatient."

It bothers them that they can no longer afford to send Shawn to nursery school.

Bob enjoys the extra time he has with his son, but it hurts him when Shawn asks, "Daddy, when are you going back to work?"

"You try to isolate yourself in some way by not showing your feelings to your family," he said. "I feel they're aware of it already. We try to make the best of it on a day-to-day basis."

Going from a $30,000 combined yearly income to $473-a-month in welfare funds—equal to $5,676 a year—was a jolt. They had always considered themselves self-sufficient and took pride in keeping up with their bills, although they've always had high medical bills.

Applying for welfare this February was a low point for the couple, who, as Bob said, had always "felt you could survive if you put your mind to it."

A strong religious faith helps them feel that things will turn out right eventually. But Bob is pained by changes in himself.

"I used to be the type of individual who would think not just of myself but of others," he said. "But now, it's just me, and my family. It's the jungle. You think about yourself first."

Barbara added: "Emotionally, there are good days and bad days. Today is a good day for me, I'm kind of up and the sun is out and all's right with the world."

"But there are days where, man, don't get near me, I'm going to shut myself in my room and sew and don't bother me, I've got to have my own space."

BACK TO THE START?

Part of the tension is seeing your life change before your eyes.

"I feel like I'm retired already," Bob said. "Do you have to go back to Square One and start your life all over again?"

Barbara, who calls herself a "frustrated overachiever," had hoped one day to finish college. Now she is considering a course in computer repair in order to find a good job.

"We were going to have two or three children," she said. "I was going to go back to school and with our combined income, we could do the things we wanted to do. Here we're starting out again."

They worry about each other. Because of Bob's epilepsy, she wonders how much stress he can take and asks herself, "Should I take it on my shoulders?"

Bob feels sad that he can't provide the life they wanted.

Being the breadwinner is important for Bob, who was raised by a foster mother and without a strong male presence, Barbara said.

Some good things have come out of their trouble.

Bob had learned to share in the housework, which he plans to continue once he returns to work. They have more empathy for others, realizing they are blessed in comparison with many people. They are touched by the way their family and friends care for them.

"The little things have just so much value," Barbara said. "I'm tremendously looking forward to those first crocuses.

"You cling to those little things. You can't change the big ones, you might as well enjoy the day.

"Who knows what tomorrow will bring? It's an old saying, but it's true."

Representative REUSS [presiding]. Thank you very much, Mr. Kirkland, for an excellent statement. Our staff has prepared a comparison chart [indicating] between the Reagan forecast of what its economic program of supertight money and superlarge budget deficits would entail and what actually happened; and, as you can see, an unemployment rate of 7.2 percent actually resulted in an unemployment record this year of 9.2 percent. A growth forecast of 4.2 percent has resulted in a negative growth rate of 1.2 percent, and so on.

Many of us have been urging the administration and the Federal Reserve to change at least one of the two sets of policies which are responsible for our miseries, the over-tight monetary policy.

We were disappointed this morning because Federal Reserve Board Chairman Volcker, who testified before the Senate, announced that he wasn't going to change the policies, that they would remain at the 2½- to 5½-percent level which they have been at for the last year and that that refusal to change them to make them slightly less restrictive is going to continue, not only for the rest of this year but tentatively all through 1983.

Wouldn't you have thought that in view of the dismal failure of the Reagan program to produce the growth and the unemployment rate that had been forecast would have led to some reexamination on the part of the administration and the Federal Reserve?

LESSONS OF THE PAST

Mr. KIRKLAND. I certainly would have, sir. Of course, I suppose the Federal Reserve Board argues that it is the only game in town in terms of their theories and philosophy. Clearly, however, once again we are in the process of relearning the lessons of the past, and that is that the reliance upon the abstract monetarism, monetaristic theories, as a device for restraining inflation, exact a price far out of proportion to the object sought and takes a time far beyond the limits of tolerance.

I read recently some discussions amongst true believers among the monetary economists, and the discussion revolved around the question of how long does it take to achieve this ultimate benign objective of squeezing inflation out of the economy and building a base, admittedly much lower in terms of product and activity, from which healthy economic growth might then proceed. And the most optimistic of the lot said perhaps 5 years, but the consensus seemed to be closer to 10 years, 10 years of ruinous repression of economic activity, which all of them in their candid moments would say is the price and is the method by which monetary constraints work on our economy.

I would suggest further that it is perverse to consider this as an appropriate way to combat inflation. Inflation in area after area and vital industry after industry in this country is the product of an inadequate supply meeting a rigid and rising need and demand. It can be most clearly seen in the housing industry. The price of housing in recent years has soared, not out of any relationship whatsoever to cost because it soared for houses that were built years ago as well as for those currently being constructed.

There are no added values. It is simply a function of demand; and, in fact, for many years we haven't been building enough housing or replacing housing stock, and we are building in the seeds of a future inflation in the housing field that will surpass anything we have experienced if we go through any extended period of construction at the levels that are now being established as a result of the perverse policies of the administration in close cooperation with the Federal Reserve Board.

Representative REUSS. I note on the ticker that in the other industrialized democracy in which a supertight money policy has been followed, the United Kingdom, that their newest unemployment figures are just in and unemployment is increasing there to new record heights.

Mr. KIRKLAND. That is correct, sir, and I think a lesson might be drawn. The comparable structure of policies have been in effect in the United Kingdom for, I believe, something like 4 years, and there are no signs whatsoever of any imminent turnaround. In fact, the OECD projections, both for the United Kingdom and most of Western Europe and for this country, predict further unemployment, further economic distress and declines; and that, I think, gives the lie to the proposition, that if we just have a little more patience, wait just a little longer, we are going to turn that corner to a brave new world and a shining city on the hill.

Representative REUSS. Senator Kennedy.

Senator KENNEDY. Thank you very much. I think it is important at this particular part of the hearing that we recognize that President Kirkland in his testimony also offers a constructive alternative economic policy, which has been made a part of the record. I think all of us are aware of those that say, "Well, if you don't like what we are doing in the administration, let's hear what you have to say." And I notice that in the presentation you do have a constructive alternative, both in the areas of tax policy and general economic policy, and I think that that is helpful and obviously strengthens your presentation.

I am also mindful that just the other day, when the President was asked about the question of the balanced budget, he was pointing out that the budget has been out of balance for the last 20 years, and that the Democrats have been in power a substantial part of that period of time. I think all the times that we have seen him asked questions about who is really responsible for the economic policy it is always harping back to a previous period of time, but I think it is important to note that over the period of the last

14 years members of his party have been Presidents of the United States.

If we are looking really to the past to try and understand the present in evaluating the economic policies, I think if we want to look at those particular questions and issues, I am not satisfied that that provides so much strength for his argument that the economic woes that we are facing at the present time are really due to past and previous administrations, because I think that is more or less a self-indictment.

What I am interested in, Mr. Kirkland, just briefly, is some different areas of economic policy. I noticed over the weekend that the administration revised its child labor laws. I come from a State, Massachusetts, where in the early part of this century there were some dramatic examples of child labor abuse in the mill towns of Lowell and Lawrence, and anyone who wants to be reminded about that regrettable experience can travel to the various museums in those communities, particularly Lowell, which dramatically points out those facts.

Over the period of this weekend, we have the administration altering and changing the child labor laws, which, as I understand, will expand the time in which 14- and 15-year-olds will work, the number of hours a week they will work; and the administration points out that this is a part of their economic revival policy.

I am just wondering what your reaction to that would be, the administration's changing and alterations of the child labor laws. Does that make any sense from a job point of view or from a social point of view?

Mr. KIRKLAND. About your first point, I think people ought to recall the last time the budget was balanced. It was the last budget of Lyndon Johnson—the fiscal 1969 budget, if I remember correctly. It showed a surplus of $2 or $3 billion. That was during the height of heavy government expenditures for the Vietnam war, as you know.

The budget was in surplus. We had, I think, about 3½ percent unemployment, an inflation rate of between 3½ to 4 percent, if my memory serves me right.

In the next few years from that base—that wasn't so long ago—the budget went into deficit in record amounts under the administration of President Nixon and inflation increased, and during that interim period between the last balanced budget, the last time we had inflation under control and the last time we had some approximation of full employment, to the best of my recollection there's only been one Democratic president for one term. The rest of the time it's been Republican administrations.

So I think we're going to be hard put to trace the blame to Democratic profligacy, nonpartisan as I am. I do want to be objective about it.

I recall in the budget-balancing panic of the spring of 1980 President Carter sent a budget to the Hill that was by current standards modestly out of balance with a modest deficit. During the months of March and April there was a little up-tick on the CPI stemming from external sources—oil, primarily—and panic set in.

Demands came from the Hill, people competed with each other over here to call for a revised budget, a balanced budget. President

Carter recalled his budget—pulled back his budget—a mistaken action, in our opinion, and rejiggered it. In a couple of weeks he sent up a balanced budget.

That budget then went, as I recall, to the House Budget Committee and Congressman Jones reported out of that committee a balanced budget.

Well, what the hell happened? What happened to that balanced budget? The economy happened, and its unemployment that unbalances budgets and upsets all these projections, and if you design policies to create unemployment, you're going to get deficits and if you supplement that by tax giveaways, tax expenditures, you're going to get bigger ones. Experience, I think, proves that anybody can balance a budget on paper, but life takes a different course.

The action of the Labor Department in revising the rules governing the employment of 14- and 15-year-olds demonstrates that the spirit of leading characters of Charles Dickens is alive and well and running the Labor Department.

I had not conceived in my bleakest view of the thrust and direction and philosophy of the administration that it could reach a point where it conceived of the proper duty of the Department of Labor—which was set up a long time ago under a mandate to defend and advance the interests of working people—that we would reach a point where the duty and function of that department was to recruit 14- and 15-year-olds for the service of the fry kitchens of the junk food joints of this land.

I am particularly disgusted by the lack of candor and the hypocrisy of the rationale. It was advanced as a means of increasing employment opportunities for young people.

We have a level of unemployment of 16- to 19-year-olds—the official teenage bracket—that's catastrophic and is staggering in the terms of the unemployment of young minority workers between the ages of 16 and 19.

There are plenty of them who don't have to go to school—and who are beyond the age of what we regard as childhood, perhaps—and who can be readily available for that kind of employment.

The prospect of throwing 14-year-olds into that market to compete with the enormous quantities of 16- to 19-year-olds that are looking for work and can't find it is just appalling. And I regard that as a blatant violation of the trust and statutory responsibilities of that department.

Senator KENNEDY. So that is sort of a continuation of the position of the administration that has proposed a youth subminimum, the rewrite of the Davis-Bacon provisions, and has pushed unemployment up.

Is that part of the whole——

Mr. KIRKLAND. I think it shows kind of a spiral down effect that their logic leads them to. First they proposed putting young teenagers—16 to 19 years old—at cutrate wages in order to throw their parents out of work, and now they want 14-year-olds at cutrate wages going into the market to throw their older brothers and sisters out of work.

I don't know where the bottom of this process is.

Senator KENNEDY. One of the points that has been——

Mr. KIRKLAND. It would be a social outrage if we had a full employment in this country, Senator, irrespective of how that unemployment is distributed as between 14-year-olds and adults responsible for the maintenance of a family.

It would be a social outrage, but it's a social and economic outrage in the present environment.

Senator KENNEDY. You sense that this can be a device where they can take steady jobs that are being held by the head of a household and be divided up into two part-time jobs in which young people—teenagers, young teenagers—would then be expected to work longer hours?

Mr. KIRKLAND. Sir, if the Labor Department and the administration would flatly state that they are interested in using the Labor Department to provide cheap manpower—cheap child power—for the junk-food companies of this country and the most exploitative employers, I would at least give them credit for honesty.

But I really resent it when excretion is leveled against the public and they call it rain. This line that they are doing this noble thing in order to create job opportunities for 14-year-olds—they are precisely doing it at the demand of certain categories of exploitative employers in this country.

I have been aware of no demand by any 14- or 15-year-old children, or by their parents, by any representative of them or any body of individuals in those categories, calling upon the Government to allow them to put their children to work on school days until 9 p.m. at night.

Senator KENNEDY. One of the issues that has been raised, and I think legitimately so, is that given the economic problems that this Nation is faced with, the belt tightening to bring about economic growth at the price of stability ought to be fairly felt across the Nation.

What we have seen, I think, in this committee, having listened to the figures that have been testified to every month about the growth and unemployment, as we have heard from those that have been most affected by the increase in interest rates, we have found the principal burden for this supposed recovery program falling on a particular group in our society, rather than across the society as a whole.

You mentioned earlier that there had been the wealthiest individuals and corporations that have gotten the tax cuts, and the working families of this country that are interested in educating their children and looking out after their parents holding a job have gotten the budget cuts and have lost their opportunity for employment.

What do you hear from the working men and women of this country about whether they feel that this economic policy is really being borne fairly and equitably by people across this Nation?

Do they feel that it is, and do you?

Mr. KIRKLAND. Clearly not. You don't have to hear from anyone to be able to reach a conclusion on the simple, self-evident facts. This administration is following a carrot-and-stick policy. We get lectures about sloth and idleness and lack of initiative, and that people need the goad of unemployment or a reduction in unemployment benefits and availability of unemployment benefits in order to spur them to work.

There's a different segment of our society that responds to different incentives, and they are encouraged to work and produce by largess from the Public Treasury. We have in effect a carrot-and-a-stick policy in which the rich get the carrot—that's their incentive—and the poor get the stick.

It's as simple and clear cut as anything could be. To call for sacrifice in the name of austerity in Government expenditures by cutting out food stamps, welfare payments, unemployment compensation, nutrition programs, and educational programs; to put the spurs to those who have looked to these programs for a little helping hand and then accompany that by a 25-percent tax cut for the rich out of the same purse indicates a split personality that I don't think is good for the country; and certainly is oppressive in terms of those who suffer the consequences and don't share in the distribution of the largess.

Senator KENNEDY. One of the statistics that have been commented on before this committee is the fact of the real lack of investment in spite of all the significant reduction in taxes, both for the wealthiest individuals and for corporations.

But still we haven't seen the kind of investment that has meant new opportunities in the form of jobs for the people of this society.

Nowadays I am told there are companies in business—I believe Mr. Iacocca said something to that effect the other day—which, these interest rates, through these available channels of investment are making more money in laying out their cash in various instruments—in money markets and notes—than they are making by producing the goods that they are in business to make.

Mr. Iacocca I think said he's making more money than he has got invested from the sale of the Chrysler Tank Co. branch than he's making on making cars.

And I suggest to you that's perhaps a commonsense reason why production is going down.

What do you think about credit controls, and what should the responsibility of the Fed be in terms of targeting capital? Should we allocate it for those unproductive mergers?

Mr. KIRKLAND. As I understand the Credit Control Act, it affords an administration an approach to cracking this straitjacket that tight money and high interest rates are imposing on the economy without having to wait for the Federal Reserve Board to have a revelation or change its policy.

It gives the President the authority to allocate credit to preclude the flow of credit into unproductive ventures such as corporate mergers and speculation on the commodity markets like Mr. Hunt's raid on the silver markets.

And I believe the Federal Reserve Chairman in that case involved himself in an effort to mobilize the banks for the protection of Mr. Hunt or all the people he was going to drag down with him, which I doubt very much was contemplated when the Federal Reserve Act was founded, as the duty of a public official.

Necessity drives it, I suppose, but it's a sad commentary on our financial structure and system that that can happen or officials in that position should be compelled to involve themselves in that kind of dirty game.

By controlling the wastage of potential investment and by insuring that an ample supply of investment capital is available for areas of defined need in accordance with sound national policy, interest rates can be brought down and the supply of available capital can be increased, and that's been demonstrated in the past when that act has been used.

We believe it's not only a valuable but a vital authority to have in reserve and to use when the occasion requires it—particularly at a time when there is this business going on of the Federal Reserve Board engaged in activities owing to its independence—I would suspect a majority of the Congress would rather they didn't—and a President claiming impotence and when it suits him scapegoating that body.

He has the authority, he can do something about it, as long as the Credit Control Act is on the books. It should not be allowed to expire.

Senator KENNEDY. Is that such a radical idea, the central banks being able to indicate areas or segments of the economy that are supported in terms of public policy to see an allocation of credit?

Do most of the central banks in the world that are dealing more effectively certainly with interest rates in some instances—and certainly in terms of unemployment—do they have that power, or is that used, to your knowledge?

Mr. KIRKLAND. Explicitly yes, and I would think to a greater degree than is explicit. I think the unseen hand works in various countries in a way that is not too mysterious to some people who are in positions to influence it. The leading example, of course, is Japan. We hear a great deal of fashionable talk today about the Japanese example and all of their miraculous achievements owing to their organization of work in society and industry, most of which I don't regard as to exportable or even too impressive, and much of which is contradicted by other examples from their society.

For example, their purported extraordinary productivity. Their productivity is still very far below the general productivity rate of this country and approximately the same in the automobile manufacturing industry in terms of their actual figures. Yet the great Japanese miracle in this day and age, when all other countries are bemoaning the consequences of high interest rates, somehow by the workings of the more or less unseen hand in Japan, they manage to maintain prevailing levels of interest rates at about 6 or 7 percent.

I always thought in a free world money market, the money flowed to where it could get the highest return, but it seems to stay in Japan without great difficulty, and they seem to have very little difficulty mobilizing capital for the areas of investment that national policy and their industrial strategy regard as wholesome and in the best interests of their country, and they also manage at that low interest rate abundant capital for those areas of investment that they regard as vital. They have a very low inflation rate and a very high level of employment and a very low level of unemployment, and I suspect, I suggest to you, sir, that if you want to look at the core source of the Japanese industrial miracle that bears much closer examination than quality circles or workers singing the company song.

Senator KENNEDY. Thank you very much. My time is long past. Thank you, Mr. Chairman.

Representative REUSS. Thank you, Senator.

Congressman Richmond.

Representative RICHMOND. Thank you, Mr. Chairman.

Mr. Kirkland, I think you noticed that article in the Washington Post this morning indicating that there are more poor people in the United States today than in recent memory, 32 million, and every indicator there is having to do with poverty is getting worse. Here this great rich country that uses almost 30 percent of all the assets in the world has 32 million people living below the poverty level, which is, you know, $9,200 for a family of 4, and another 15 to 20 million people living at the poverty level. Well, if it's even 15 million, that gives you 47 million people, 47 million Americans who are not capable of being consumers, who are not buying anything, who are not paying taxes, who are not really contributing to the American economy, who are miserable, unhappy people, and yet this Government has absolutely no interest in addressing itself to some of their problems.

Mr. KIRKLAND. This Government has addressed itself to their problems, Congressman. This Government has addressed themselves to the problems, they've created those problems.

Representative RICHMOND. Exactly. And these figures we saw in the Washington Post are figures of 1981. I'm sure the 1982 figures are worse. This country's in a serious recession. We're creating poor people, more and more poor people every day. And aside from the insensitivity of creating poor people, we're losing buyers, we're losing consumers, because every time you create a poor person, you create somebody who doesn't have the ability to pay taxes and buy goods in the marketplace.

Don't you think it's time we started reading President Roosevelt's life and his history and started reactivating some of those superb agencies that worked so well in the 1930's? Don't you think it's time that we thought of the wage and price controls, thought of a Work Projects Administration, thought of a Civilian Conservation Corps, a job training program that really meant something?

I think the American people really have got to know—and you, of all people, have got to start letting the American people know—just how bad things are. We're in a depression, you and I know that. The businesses I am the major stockholder in have factories in Michigan running at 30 percent of capacity. That's a depression, that's not a recession. Where you normally employ 500 people and there's only 90 working in the factory, that's a depression; right?

How are we going to get the American public to realize that the man in the White House doesn't care and that your union does care, and we've got to rise up and start doing something about this?

Mr. KIRKLAND. Congressman, I was over here before the Budget Committee shortly after the inauguration of the President beating this same drum and pointing out the dismal probable consequences of the program that was being put into force and effect, and I had to get out of the way of the steamroller in the Congress. When is the Congress going to wake up?

Congress gave this President everything that he asked for, and I didn't notice any great tide of resistance at that particular time. It gave him this three quarters of a trillion dollars tax cut for the rich which stripped the purse of the capacity to do anything about these programs and multiplied the pressure to abolish these programs when the deficit panic sets in.

People over here go along. We have been pounding this and trying to rouse the attention of the public and the Congress to what's happening, and I don't think that we can be accused of being remiss or slow in sounding this alarm.

Representative RICHMOND. Can you imagine a man who's going to run the largest peacetime deficit in the history of the United States receiving nationwide applause for his stand on a balanced budget at the same time?

Mr. KIRKLAND. It reminds me of the temperance lecture by W. C. Fields.

Representative RICHMOND. What can we do to get people to start realizing that we've got to look back at the Roosevelt years and learn some lessons—and we've got to learn them quickly—because you've got this mass of high school dropouts, you've got this mass of minorities who aren't working, young people who can't read and write and have no hope, and the longer we wait, the worse it's going to be, the harder it's going to be to start training them into jobs.

Mr. KIRKLAND. You're absolutely right, Congressman. One little quibble I would make. You said in connection with the history of the Roosevelt era, you made reference to wage and price controls. I want to note that at no time in the Franklin Roosevelt administration were there wage controls—at no time.

Representative RICHMOND. You can't have price controls without wage controls.

Mr. KIRKLAND. He never invoked wage controls even during World War II. There was a dispute settlement procedure, but there was no wage freeze or wage control mechanism of the kind that has occurred in subsequent years. In 1979, we reached an understanding, that is, through extended discussions between representatives of the AFL-CIO, myself included, with President Carter, an understanding that was labeled "A National Accord," in which the American labor movement committed itself to cooperate with a program of wage restraint with certain understandings as a condition of that. We were not obliged to do that. We still have free collective bargaining in this country. It was a voluntary act, the President having no power whatever to control wages.

And those conditions were, one, that we be parties to the process by which those policies were enforced. They wouldn't be imposed upon us by some refugee from the Brookings Institution acting out of the fullness of his own ruminations. That accord embodied within it a basic concept of an approach to the economic problems that this country faced. And we've had economic problems for a good many years brought on from a number of areas, some of them beyond our control, such as OPEC. And the basic premise of that understanding was, if the elected leaders of this country decided that our problems were so severe as to warrant a period of austerity and restraint, that we in the labor movement were prepared to bear our proper share of that burden of austerity with a proviso that it be equitably distributed.

Let everybody share in that burden of austerity in accordance with their capacity to do so. But let only one element of our society be exempted from that burden of sacrifice and austerity, and that element of the society should be the lowly, the underprivileged and the hardpressed and not the rich and the great. And that to the contrary, there should be maintained in force and effect an expanded specific program to further protect those people at the bottom of the ladder who are weak and hardpressed and underprivileged through maintaining and expanding low-income housing programs, job training programs, educational programs, all the programs designed to help lift them up out of the depths and give them a break in life and a chance in life, that those be maintained and expanded while the rest—the healthier and stronger elements of society accept a fair and equally equitable burden of austerity.

My basic essential complaint and sense of outrage with the current situation is that that concept has been taken and it's been stood upside down, it's been stood on its head. All of the austerity has been imposed upon the lowly and the weak and the underprivileged by the destruction of those programs, and the only people exempted from any burden of sacrifice, even for defense expenditures in the common interest, have been the rich and the well off, at a time when we're building up our defenses. I'm prepared to say that they require some enhancement. The only people exempt from that have been the people in the highest income brackets of this country who have derived the most benefit from the opportunities that this country presents and offers, and who have enjoyed comfort and opportunity in the fullest possible measure.

And I say that's wrong, it's unfair, and it's outrageous and nothing could be more calculated to divide, weaken, and destroy this country.

Representative RICHMOND. Mr. Kirkand, I think we all agree that the major hindrance to getting this country going again is high interest rates; right? At these present rates you yourself said the average corporation is much better off to invest its money in money market funds rather than buy new equipment. The average businessman or woman literally can't afford to go out and borrow money at an effective rate of 18 to 20 percent, taking into account the compensating balance and everything else necessary to buy a piece of equipment, because, as you know, equipment just doesn't pay itself off that fast.

As a result, our Nation's plants are getting less and less modern. There's slower and slower expansion, slower and slower moderization. We're becoming less and less competitive with Germany and Japan, and it creates more and more unemployment. I think we all agree that interest rates will probably be the biggest problem we have; would you say?

Mr. KIRKLAND. It's certainly one of the biggest.

Representative RICHMOND. If you knew that a system of wage and price controls would force interest rates down 5 or 6 points, wouldn't you think it would be something worth considering?

Mr. KIRKLAND. That's a big "if," sir. That's a very big "if." I do not believe that wage and price controls alone would do that.

Representative RICHMOND. I can't see how Americans are going to be able to buy new houses, buy new automobiles, buy new capital goods until interest rates are workable.

Mr. KIRKLAND. I agree, sir.

Representative RICHMOND. I believe the only thing that's going to make interest rates workable is to get a handle on inflation. The only way to get a handle on inflation is some type of wage and price agreement. Maybe I'm being simplistic, but I think that's probably the real answer.

Mr. KIRKLAND. I don't think so, sir. Let me make sure you understand. As I just finished saying, if there is a comprehensive recovery program, the labor movement, the AFL-CIO, has declared and demonstrated its willingness as a part of that overall undertaking to accept wage restraints, and we have proved that, and we did. I do not, however, subscribe to the notion that any part of the recent inflation of the past years or any prospect of new inflation is wage-driven or as a consequence of wage increases or will be overcome by wage restraints.

I want to point out to you the sources of most of that inflation and also the fact that during the last 5 or 6 years wages ran behind prices and there was an absolute loss in purchasing power and real income by the working people of this country, which ought to be ample, practical proof that it's not wage-driven. Now if you want to—if it's deemed equitable and desirable for other reason that a system of wage restraint be put in place as a part of a general recovery program—we are prepared to cooperate with that as we have proven, but I do dispute your proposition that somehow or other wages and the earnings of workers are the source of inflation or have been a part of the problem in recent years. It simply is not true.

In industry after industry in the modern industrial society, an increasing number of industries, the cost of hiring money exceeds the cost of hiring workers. The construction industry is one of those. There are others. There are many others. The maritime industry is one. When I was going to sea as a kid, the cost of the capital was nothing. The shipping companies were operating World War I ships they bought from the Shipping Board for 10 cents on the dollar, and they were fully depreciated. There was no capital cost. It was virtually all labor costs. The crew costs might be something in the course of a year of a couple of hundred thousand dollars for a 40- or 50-man crew, and the capital cost was zero, and the prevailing interest rate then was something like 2 or 3 percent. So even if you had bought the ship, it was minimal.

Today if you build a ship, you're talking about $30 million to $50 million to $180 million, if it's a very complex and exotic ship, at interest rates of 16 to 18 percent. And you've got a crew that's half the size of what it used to be. So you've got a comparative opportunity cost for the cost of hiring that money and paying the bank that's roughly 10 times what the cost of hiring labor on those ships is.

And there's one other critical factor. You can lay off the sailors. You're going to have a hell of a time laying off the bank. So if you want to look at it, a change of a quarter percent interest rate in that kind of industry has a far more profound effect than a 25 percent wage increase.

Representative RICHMOND. Mr. Kirkland, my last question: How are you going to get interest rates down unless we adopt a national policy that covers everybody—manufacturers, banks, and workers?

Mr. KIRKLAND. You have just allowed to expire the particular tool with which those rates can be gotten down very quickly: the Credit Control Act. Its renewal has, I gather, just been reported out of the subcommittee. I think there's no more clear-cut urgent test of the concern of the Members of the House and the Senate about the future course of interest rates than their response to the question of whether or not to renew that act. That is the promptest and quickest and most direct way, barring any change, unless you want or are prepared to totally reorganize the Federal Reserve Board and make it a little bit more responsive to the Congress than it is now. You created an instrument that operates with long-term appointments and total latitude. You draw its members from one segment of society, the banking fraternity, to the exclusion of all the people who suffer from their attitudes and philosophies.

Now if the Congress would address that question, that might be another way of dealing with it.

Representative RICHMOND. My time is up.

Representative REUSS. I have just one additional question, Mr. Kirkland. You mention the $750 billion multiyear tax cut, voted by the Congress at the administration's request, is a prominent factor in our current troubles, and I agree with you. You no doubt are aware of the current drive for what is called a "flat tax." That is to say, a tax with the same rate for working poor and the middle class and wealthy people. Some versions have loophole plugging contained in them, others do not.

Do you have an opinion as to whether the Nation now needs a flat tax?

Mr. KIRKLAND. I certainly do, sir. As you might have surmised, the question of what kind of lower tax rate you could achieve if you wiped out all of the loopholes and all of the deductions and exemptions that are built into the tax structure is something that's been going on for some years.

I recall some discussions of it on the Labor Management Committee during the Ford administration. And as I recall at that time, Bill Simon was a great advocate of it when he was Secretary of the Treasury. He never did anything about it.

It's something a lot of people talked about. Nothing has been done about it.

And I suspect, if you will forgive me, that the current wave of fashionable discussion of it now will prove a flash in the pan.

But leaving that aside, I do not understand why you go from the premise that you can get a lower level and simplification of the tax system by eliminating all of the baggage, good, bad, or indifferent, that has complicated the act and has introduced loopholes and exemptions and exclusions and deductions ad infinitum. Why those two—the concept of a flat tax, it seems to me a non sequitur. I would have one attitude if it were a progressive tax, devoid of all these exclusions. I still believe in the principle of progressivity in the tax system. I've seen no discussion of the pros and cons of that accompanying this theoretical, I think still rather abstract, argument.

I frankly am not prepared to get too deeply immersed into it in terms of our work and our deliberations because I have doubts about it, whether it will happen.

I think if you will knock out the mortgage interest rate deduction, you'll have the greatest deluge of spokesmen for a variety of influential groups, all of whom are well acquainted with quite a few Congressmen here in Washington, that you have seen in a long time. They'll have their counterparts for every section of the tax bill, I'm sure.

Representative REUSS. Now, the President, based on past performance, would be willing to sign with alacrity, would he not, a tax measure which contained the flat rate provision but didn't do much or didn't do anything about plugging loopholes? That was the direction in which the existing tax measure of last year moved; was it not?

No loophole plugging, but a wholesale lowering of tax rates on the more affluent fourth of a nation?

Mr. KIRKLAND. He's done quite a bit of that already for certain segments of the society. He's given industry a negative income tax, a proposition that some years ago was reserved to discussion of how to help lift up the poor in this country. It's a great irony that the first real negative income tax was reserved for the large corporations of America.

Representative REUSS. My point is that even if one has, in the back of his mind, a loophole plugging tax measure which retains a degree of progressivity and is, thus, not a pure flat rate tax, it might be a dangerous matter to try to go very far with it while President Reagan occupies the White House because along the route, the loophole plugging might be leached out of it and so you would present to the White House for Rose Garden signing another straight giveaway. Is there not such a danger?

Mr. KIRKLAND. We've been long advocates of plugging a lot of loopholes, the ones that we regard as loopholes.

You'll find in our program that's been submitted to this committee certain suggestions along that line that would recover a great deal of revenue that can serve to reduce the budget deficit substantially and we think would have no adverse economic impact, would be economically beneficial.

I agree with you, sir, I would much prefer that the loophole-plugging process be administered at the hands of those whose views of equity are much closer to my own.

Representative REUSS. I'm glad you submitted for the record your AFL/CIO economic policy statement arrived at earlier this year, which I have studied carefully and find very constructive.

Mr. KIRKLAND. Thank you, sir.

Representative REUSS. Thank you very much, Mr. Kirkland. We appreciate your presentation.

Mr. KIRKLAND. Thank you.

Representative REUSS. The committee is adjourned.

[Whereupon, at 3:25 p.m., the committee adjourned, subject to the call of the Chair.]

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