I'm not suggesting the normal profit is the proper profit.

Mr. BARASH. It may be true, might it not, that it's merely a question of it being more profitable to do business in Scarsdale or Garden City or in Long Island somewhere, than it might be in Bedford-Stuyvesant and in Harlem?

Mr. STERN. That might be a point, surely. I wouldn't know. One can't deal with the specifics unless you have the specific facts in front of you. I couldn't make a judgment as to whether a store operating in Scarsdale is more profitable than the store in Bedford-Stuyvesant, although it has been suggested here, I think, or it's implicit, that there is profiteering, ipso facto, it's more profitable to operate in ghetto areas than in Scarsdale, and I pose this question: namely, if this is so, one must ask why is it that there are no more—why is it no supermarkets are being built?

I direct myself to that question because I think it is really an integral part of this overall problem of food and food pricing. One of the things which is omitted, and I think not deliberately because the consumer groups are well-motivated, but they don't have the resources or the expertise to conduct these surveys. It's a matter of fact. Where I say they are well-motivated, but they simply don't have it. It does require certain insights, certain knowledge——

Mrs. APONTE. Come on now.

Mr. ROSENTHAL. We must have order here. Let me say this, Mr. Stern. I was a member of the National Commission on Food Marketing and Mr. Jerome Stein here was one of the staff there, and we spent $2½ million looking into this problem and came up with no real answers.

What this subcommittee is faced with is that we have been advised by people in two dozen American cities that the poor pay more. The people in the ghetto pay more. Mrs. Aponte and Mr. Press are typical of people in Chicago, San Francisco, Los Angeles, Charleston, W. Va., St. Louis, Dallas, Houston, Austin, everywhere else.

Why should this happen? Why should we get these reports that this nationwide event is taking place in a society where everyone, from the President on down, is committed to breaking the cycle of poverty?

Now, there has been much testimony by sociologists that "Yes, we should do something about housing and education, but among the other things we can do is take what money the ghetto economically deprived person has and make it go further."

Why is it that the five Safeway stores in Watts were burned down and the three ABC stores remained unchallenged? Congress is faced with an urgent request to look into this matter. I wouldn't expect these people, consumer groups and the rest, to go into the deep problems that the Food Commission, spending $2½ million, couldn't solve. We have a narrow, simple problem.

In every situation, major chains, it is reported, have charged more in ghetto areas than in outlying areas. What should we do about that in your opinion?

Mr. STERN. If this is true, and I would assume on the investigations, the November 14 and 16—obviously, this is something which has to be dealt with and rectified. There is no question we certainly would not support—because we, too, are a large consumer group—we would certainly not support any gouging in any form, but there is a degree of

gouging which is not being dealt with here, and it seems to me really bears investigation.

It seems to me, and this I know from firsthand evidence, that the smaller operator, the small store, for a host of justified reasons, charges a great deal more than some of the larger chains.

Mr. ROSENTHAL. That raises irrelevant questions, because Congress has to deal with people involved in interstate commerce and all of the chains and people that we have called to appear in Washington, New York, and St. Louis, are people who deal in hundreds of millions or billions of dollars across State lines.

As little as we know about the food industry, we recognize that the "mom-and-pop" store and the individual operator can't buy in the quantity and the style that Safeway and A. & P. does, or even as Key Food hopes to do in a cooperative venture, so we can address ourselves to the social question and deception, if there be any.

Mr. STERN. That's right. And there is something further that Congress can address itself to, Mr. Rosenthal. That is the whole question of assisting the smaller merchants to develop supermarkets within the ghetto area. Assisting and training them to get the management techniques to be able to compete with the larger chains.

I'm interested in that phase. Deputy Mayor Costello was kind enough to mention our union in connection with a project concerning the training of the smaller merchants and Negro merchants in the first instance to develop and build supermarkets in the ghetto areas. Here is where you have the real problems. Obtaining real estate, obtaining insurance from insurance companies, obtaining loans to establish these businesses, obtaining credit, and I think it's in this area that there might be some profitable investigations. Why is it so difficult to obtain insurance in the ghetto areas? Why is it so difficult to get credit so that the smaller merchant can compete on an equal basis, so that in the first instance he can establish himself? A few of the more progressive supermarket operators, it must be said, within this city, are cooperating with the unions in the first case to train management so that they have the skills of running the largest supermarkets to provide help in getting at the sources of supply, because in monopolized America control of sources of supply is a key factor, and getting the proper merchandise and the proper mix, enables you to compete with the larger chains.

There are a few in this city, including Waldbaum's, it must be said, and including one of the Brown brothers, have sat with us and consulted with us and helped us, and we have a number of people training in various supermarkets to become managers and hopefully, in establishing co-ops which will operate in the ghetto areas.

Mr. ROSENTHAL. I don't see any area of disagreement. These are things we have to consider. I think they have to take a secondary role only for the moment, and we want to address ourselves to what appears to be nationwide pricing discrimination. If this can be stopped, No. 1, we ought to get moving pretty quickly with No. 2.

VOICE. Harlem area, we are sitting right now in Harlem. I represent the Retail Food Clerks of the Harlem area. Not a single merchant has been here this morning to testify before this committee out of this here where we are sitting. They are not here. Not one of them. They would really tell you the story.

Mr. STERN. I know the purpose of this investigation, and we commend Congress and commend the consumers' groups, and we pledge our support in any effort to eradicate gouging, price variance, anything that will take advantage of consumers in this part of town or any other part of town.

Certainly, as workers in the stores and in many cases, we contend, underpaid, many of our members are part time and don't get an adequate amount of wages and they are harassed and overworked. Certainly we have an interest in supporting consumers in their effort to get the right prices, but I think it would be a disaster if we leave it simply on just this level of the price variances.

I think we do a disservice if we don't dig into this industry as you did in the National Food Commission, and I don't think you wasted time. I think you did a great service, because much of the facts are of value to this industry. We support all these efforts and we want to offer our cooperation of the unions in Greater New York with your——

Mr. ROSENTHAL. Let me just ask you one question and I want to conclude. I heard what this gentleman said. It's been said many times before. Yet every man who appeared here today on behalf of the supermarkets, when I asked them if there were any special problems in the ghetto areas, they all said "No."

Mr. STERN. I think—I doubt whether you're getting the complete story. I think there is a great concern about discussing some of the sensitive areas, and I think that candor is called for, and I think you can't solve a——

Mr. ROSENTHAL. If the giants of the food industry won't be candid with us, how will we get to first base?

Mr. STERN. I can't speak for them.

VOICE. The gentleman from the food industry here this morning has no stores in Harlem. They can't speak for Harlem.

Mr. ROSENTHAL. Thank you very much. Do we have anyone else that wants to be heard?

VOICE. I would like to make a comment.

Mr. ROSENTHAL. Identify yourself.

Mrs. HILL. Lorraine Hill. I'm with the African American Teacher's Association, as well as United Bronx Parents. The only result I can see of these smaller stores getting support to become supermarkets is that you have a lot of independent stores with no control, kind of gouging people. As Mr. Mandell said about the Key Food stores, where they are all independent and they all have their own franchise, and there isn't that much control that you can have. You hopefully want control, but you can't guarantee that you can get their price fix that you talked of and Mr. Stern's suggestion is going along the same line. And I certainly can't see that it will help a poor community.

Mr. MANDELL. What control are you referring to?

Mrs. HILL. The kind of control you might very well have with a store like Waldbaum's or with a store—that you might have with A. & P. But you certainly won't get it with the kind of thing Mr. Stern was talking about, or that you gave, because I certainly was not comfortable with the kinds of things that you said were going on in your stores.

Mr. MANDELL. I just want to get one thing clear. I don't understand what sort of control you would want us to have that would improve our——

Mrs. HILL. You can't get it because your stores are independent.

Mr. MANDELL. Does that mean that all independent stores have to go out of business at present?

Mrs. HILL. I didn't say that. I was directing my remark specifically to what Mr. Stern said about making smaller stores larger, and I say to make the smaller stores supermarkets would simply give them more areas in which to overcharge. That's all.

VOICE. I would like to say——

Mr. ROSENTHAL. Could you identify yourself?

VOICE. Yes. I'm Florence Rice. I would like to say here I feel that what has to be done in this community and every other low-income community generally, is to certainly have more cooperatives—encourage more cooperatives, and certainly when you have cooperatives owned by the people—I don't mean outside coming in—certainly what we are doing up at Esplanade now in which we have a cooperative that will be owned and run and controlled by the people, this is certainly my recommendation to help. This is a longtime doing, but this—we need to encourage and then you have the people who are concerned.

We know about the theft which you brought up. We take our store over in Morningside, and the thefts there have been at a minimum, so I know this isn't the problem.

Mr. ROSENTHAL. What can the Federal Government do to help you in this effort, Mrs. Rice?

Mrs. RICE. They could see that we have some seed money to help us along, which they haven't done. We at Esplanade didn't get any seed money. We, the people interested, grassroots, put our $10 and $20 in and we will be having a 10,000-square-foot store up there by February 1. That's only one. But more and more this needs to be encouraged. I'm not one of the ones advocating for outsider supermarkets any more, to come into low-income areas, and this is my recommendation.

Mr. PRESS. I think the idea of a merchants cooperative is a good idea. I think it is one way to bring down prices and it can be just as effective to the people in the community as to the merchants. I know I'm talking about something different, but I don't think—when this question was discussed with Mr. Mandell, I think maybe a false impression was given. I think you talked about one store. Why talk about one store?

We went to four Key Food stores and all four Key Food stores had the same problem, and if we went to other merchants' cooperatives in New York, we would find the same thing. In this question of control, there is no control, and the stores do whatever they want. They advertise in the newspapers that they are selling goods at a particular price and they don't do this. They don't sell it at the price they advertise at.

Mr. ROSENTHAL. If the Federal Trade Commission made them, by getting restraining orders against deceptive advertising, this would stop it.

Mr. PRESS. If the Federal Trade Commission would act in many areas relating to advertising this would be a good thing. I think false advertising is one of the big problem areas, whether it's foodstores or furniture stores, and there is nobody—there is complete vacuum in that area—from the city government right up to the Federal Government in dealing with the problems of false advertising.

Mr. ROSENTHAL. This young lady back there.

Miss OWEN. My name is Yetta Owen. I am employed with Consumers Mart. I want to make a statement. I'm sorry I don't remember the name of the gentleman that made this statement that people weren't capable of checking out the advertised items, and so forth.

I don't think it takes such tremendous skill to read "Babo, 11 cents" and see it's marked 13 cents, and be able to check it out. This is what we did when we checked prices. We checked all advertised prices and then checked the price that was marked on the items. I think this is an insulting kind of remark to say we were incapable of checking out the item.

Mr. HILDEBRANDT. I'm William Hildebrandt, the executive director of the New York State Food Merchants Association.

You will forgive my standing prematurely. I have a bad back and had to get up.

As I promised you when I spoke on the phone the other day, I would not ask to speak unless I felt there was something that might have been missed that I could contribute to your hearing today. I note in this afternoon's discussions that references have been made again, as we've heard it so often in the past year or so, to the difference between net profit and the rate of return on investment.

Apparently the committee and your staff are reasonably well aware of the fact that the net profit in the supermarket industry is 1.3 percent, nationally, and you speak of a 10.6 rate of return on the most recent national figures. I call to your attention the extreme differences that exist between the New York market and many or most of the major marketing areas in the country.

The national figures most reliably reported are those of Cornell University, who have rated last year as high as 12½ percent as the rate of return on investment in the food chain industry. Just 1 year ago when New York City Councilman Troy was planning his nationwide boycott a week before Thanksgiving, I was able to persuade him, in a public debate on radio, to cancel his plans. Because I made similar references to rate of return, by showing him the evidence which I would offer to this committee, too, and it is publicly available, that the rate of return on supermarket chains in this area of the country doesn't resemble the 10.6 that you referred to this morning, or the 12.5 of Cornell in the past year, but, as somebody previously pointed out, one major chain with almost $200 million volume, is losing money.

I'm sorry we must protest it publicly, but it's a fact. The rate of return more closely resembles a range between 6 percent and possibly 9½ percent with an average, if I can quote—

Mr. ROSENTHAL. Let me say for the record——

Mr. HILDEBRANDT. I would like to complete the last sentence. If I have the contribution to make, I think at least your record should show the facts.

The rate of return in this community is closer to 6½ percent which is pretty much what the banks are paying, with far less risk than the average supermarket operator, regardless of type of ownership.

Mr. ROSENTHAL. Let me just put into the record then, the net profit after income as a percent of net worth, the latest figures the Food Commission had, which was 1964: for A. & P. it was 9 percent; Safeway was 14.7 percent; Kroger was 11.9; Acme was 8.4; Food Fair was 9.3; National Tea, 8.9; Winn-Dixie, 21.3; Jewel Tea, 12.1; First National 5.7; Grand Union, 10.7; Colonial Stores, 11.6; Allied 11; Stop and Shop, 13 percent; Mayfair Markets, 10.6; Red Owl, 19.3; Lucky Stores, 11 percent; Thrifty Mart, 16.8; Von's Grocery is missing; Bohack is 2.7. I guess that is why they're not doing so well. Giant Food is 10.3; Winegarten is 11.2; Thorofare Markets is 10.2; Daitch-Kris-Kaldairs, 10.4; Big Bear Stores, 14.9; Fisher Brothers is 2.5; Food Mart is 13 percent; March Food Line is 8.8—making a total weighted national average of 11 percent.

VOICE. You mentioned six chains that operate in the Metropolitan New York area—Grand Union, you referred to Bohack with 2.7, you referred to Daitch Shop Well with 10 point something. I can tell you a much more recent figure is closer to 6 percent. You mentioned First National with something resembling 3 percent. These are the figures for stores operating in this area. Safeway, Kroger, Winn-Dixie, Barnes, none of the others you mentioned, only six that you mentioned, operate in this marketplace.

The proof is there if you will bear with us and realize when you speak of rate of return on investment on a national scale, you are not referring to the marketplace we live and work in, and the figures are far less than the 10 percent you referred to. Much closer to 6 percent.

Mr. ROSENTHAL. Does any rate of return justify anyone charging more for the same item in a ghetto area?

Mr. HILDEBRANDT. Absolutely not. We heard the testimony delivered in rebuttal to a rather dubious suggestion that this is taking place on some systematic basis. Evidence is in to you of Waldbaum's and A. & P., which are both corporate-owned chains, of their prices, books available, of one price zone for Brooklyn. Everybody in the place is meant to charge the same price. Apparently, someplace along the line you give far too little weight to this wide area of human error.

It isn't only happening in the food industry, you have it in your own problems with your own people, anyplace in our world and society. We are having more difficulty getting good people.

Mr. Stern makes a sound, worthwhile contribution with his suggestion of what he is doing. We are working with the city, meeting with the commissioner of markets next Wednesday, to discuss exactly what you have talked about at great length today. How do we correct the human errors that occur in changing price specials?

Mr. ROSENTHAL. How would you address yourself to the question of human error in every case? One hundred percent of the human errors come down against the ghetto residents.

Mr. HILDEBRANDT. These are based solely upon singular reports, and I think you would agree with me this is not a reasonable way in which chain organizations or independent grocers must be placed on public trial to answer questions that were delivered to them in a vague telegram, delivered only 2 days ago, and then expect that they

can answer immediately and quickly here today the charges made against them in singular instances.

I think it has been totally out of proportion, and has no total contribution to what I know must be your honest objective for trying to resolve the problems of the poor or lower income people in our country. And so is this industry doing it every hour they work.

This is what I try to deliver to you. You are not dealing with dishonest people or consciousless people. You are dealing with men who have their lives and their careers totally involved in a business. Even the people with A. & P., the giant of them all. Mr. Mandell worked all his life in this industry. You just can't scourge us and say we are dishonest, and thieves, and mean, to do nothing but cheat, because we deal with repeat customers on a penny profit, and unless we can satisfy them a lot more times than we dissatisfy them, we can't be in business. And that's what happens to our major national operators.

VOICE. Mr. Rosenthal, I want to bring out a specific——

Mr. ROSENTHAL. Would you identify yourself?

VOICE. Jon Tricolli. I represent local 15. I represent 15,000 people in the metropolitan areas, and all the counties as far as Poughkeepsie.

You will find your problem of your specials, that your consumer delegation have brought to this table today in this committee, are not only found in the ghetto areas, but all over. And there are companies that have sat at this table today that shyed away from an important factor, destruction of merchandise in different areas. And we can prove a point with the Shop Rite Markets who have recently come out of the Jersey area into New York.

On Bruckner Boulevard, where we have 132 people in union contract working under that one roof, aside from the meat department which belongs to the Amalgamated Meat Cutters Union, we set a program up where—we call it the Bruckner Plan—to overcome the pilferage, to overcome the destruction of merchandise in the stores, and that happens every day, and how we worked it out, we call the people together, with all the unions involved, and said that anybody making over a certain amount of salary on a basic 40-hour week would receive a $5 bonus per week, and anybody over that would receive $2.50. For two important objectives—to curb the destruction of the merchandise in the store and to curb the pilferage.

Mr. ROSENTHAL. Could you explain that a bit more?

Mr. TRICOLLI. Destruction of merchandise, when a consumer goes in they'll take an item off a shelf, and by the time she has gone through that whole supermarket, decides not to use that item or buy it. She'll drop it anywhere in the store, whether it's on the floor or on the shelf. They'll take frozen food items, take it over and drop it in the produce department. They'll take containers of ice cream and drop it in the appetizer department. They'll take certain items that don't go back——

Mr. ROSENTHAL. Does this happen across the board in all supermarkets?

Mr. TRICOLLI. All over. No matter where you go. Your problem here today was how to compete with the problem of the items on the advertising, as Mr. Press brought in. I don't care where you go, whether it be the ghetto area or the outlying counties—Westchester, Dutchess, Suffolk, Nassau, Rockland, Kingston—anywhere you go, you will find this problem a great deal, because of your labor shortage.

We have tried every way possible—Mr. Stern has instituted in the city of New York schools for people to become butchers. We have participated in every program that has come out of any organization that was built in the city of New York. The labor unions were right behind them to fill them, to see what we can do to curb them.

We want people coming into this industry. What has happened? When you run a special you have to understand this business, that it's an impossibility to change all your prices on every particular can on your special, so this is the program that supermarkets know they are saving their customers—on your cash register there is a chart and your specials are put on this chart. There are some people that are lax in their job. But every supermarket operator has gone into another phase, where they have given an additional title in the union contract which they call a front-end manager. Any consumer or any customer that goes into a market who is not satisfied or disbelieves the price that is being sold on that can can go up to the front-end manager and he has the price book and will open it right there in front of him.

The problem that was brought today as I discussed with Mr. Stern and Mr. Julius Sums while we had lunch, they, they bought items but never questioned them. They bought items that maybe had three prices on them, but I know and we have seen during our responsibility, during tours of our stores, customers come up and tell the managers and the operators of the store that they are a penny over or under, and we have seen it. The problem I'm trying to bring out, and the point I'm trying to bring out, anybody has a right to question them. We can't tell a supermarket operator how much he can get for his merchandise. He can charge $1.10 as long as it's not a special.

The problem they brought forth today, that they felt they were being beat and cheated on the specials and that they can always complain about it, because you can't tell a supermarket operator if he buys something that is not on special——

Mr. ROSENTHAL. We have to give the ladies equal time, and then we will adjourn for the day.

Mrs. MASON. I have been into stores where I have seen one item—this is one instance—pancake syrup was marked 69 cents and I went to the manager and said to him, "You have the wrong price there." He says to me, "Oh no, that's the correct price." I said, "That size is 43 cents, because I pay it all the time." "No, no," he says, "That's the correct price." So I said, "Get your book out." He went and got his book. Sure enough, when he looked in the book it was 43 cents. What did he do? He wiped mine off and he wrote the correct price on it. I said to him, "What about the others?" He says, "Oh, I'll get someone to change it."

The next time I went in the supermarket about a day later, they were still on the shelf for 69 cents. This manager had been wrong, and I spoke to him and said, "If you don't change that price, I'll call downtown, because everyone that buys that bottle of syrup is paying much more than they should pay." It's not always a matter of human error. Sometimes they know this.

Mr. ROSENTHAL. At the cost of being impolite, would you give us the name of that manager, not publicly, but later on?

Mrs. MASON. I don't know his name. He 's not there anymore.

Mr. ROSENTHAL. The store?

Mrs. MASON. I'll give you that. But sometimes you tell these managers that these things—their attitude is very nasty. This is something else you have to come in contact with in these stores, is the attitude that the managers and people take when you speak to them, as if they are the end. There's no one else over them.

Mr. ROSENTHAL. We have a few phone numbers of people you can call today. Let's try and put them to use.

Mrs. MASON. We had a girl come into our education program and told us she worked for one of the chains and was told by the manager to add on 69 cents to every big purchase. We are dealing with people in our particular area where they have from five to 10 in the family, so when this person goes to the store they won't buy just a few items they can really check and which the time they take their things out and put it on this register and this fellow's eyes just going like this, it's hard to even keep up with him and the prices.

Mr. ROSENTHAL. I'm aware of that. What you are saying is that puts a special burden on the stores to make sure that the prices on the cans are up to the minute and correct.

Mrs. MASON. Because a person will buy three cans instead of one, so he's charged three times the higher price.

Mr. HAIL. My comment, of course, is that we kind of get confused, because we are as fighting two sources, management and union. Certainly the union representative had much more to say about our problems—the terrible things we do and that we don't pay attention and the fault is ours and just like in every other situation, here we are fighting management and union, and I wonder why.

Mr. SUMS. I'm Julius Sums. I represent the union. We have in this Harlem area most of the stores that are still here are members of our union. One store mentioned, the Morningside Co-op, is one of our shops. We have our men who have been working there. The facts are that we had to take members of ours that worked in this area and find jobs for them in different areas. Many of the stores here close and never reopen. There is much more to check, as my friend Stern says, president of our council in New York, than just the price structure alone.

The reason why do people run away from here and don't open any stores. The Food Family stores, our stores, had three markets. One burned. Then they remained with two. One is there willing to give up and close. There is much more reasons.

We took half of our membership out of this area right here and placed them in areas, Columbus Avenue, Broadway, in different areas to place them on jobs. It's a union organization of mixed elements, Negro and white. Our top officials, two of them are Negro. Some Puerto Ricans. We are intermixed, and our men work in union shops all over the city. Local 342, Brother Stern is our president. All the locals cooperate with each other and make jobs for people. Our people are consumers. They don't want to be cheated as much as you don't want to be cheated.

This is not a fact. Our locals, we represent a great majority.

Mr. ROSENTHAL. Thank you very much. Without objection, I would like to insert into the record at this point, a statement and a letter by the Honorable Percy E. Sutton, president, Borough of Manhattan, and a statement by the Fort Greene Community Corp.

(The statements and letter referred to follow:)

STATEMENT BY THE HONORABLE PERCY E. SUTTON, PRESIDENT OF THE BOROUGH OF MANHATTAN

CIVIL RIGHTS FOR THE CONSUMER

Congressman Rosenthal, and distinguished Members of the Special Inquiry on Consumer Representation in the Federal Government.

A congressional investigation of pricing and marketing discrimination against the poor of our cities is long overdue. You are to be highly commended for launching this historic inquiry into one of the most significant but least explored ways in which the residents of our urban ghettos are oppressed.

For too long, the interests of American consumers, who are the foundation of the American economic miracle, and especially the interests of poor consumers, have gone unrepresented in the Halls of Congress.

Congressman Rosenthal, you are to be especially commended for having chosen to bring this important congressional investigation directly to the people of the ghetto by holding these hearings here at Intermediate School 201.

By holding these hearings at Intermediate School 201, you are giving the victims of price discrimination the opportunity to speak out against oppression of the consumer and to help generate the legislation which will help end that oppression.

Recently, carefully conducted studies in New York City and across our Nation have proven conclusively what housewives in the ghetto have suspected for years—the poor pay more for everything.

They pay more for food, more for furniture, proportionately more for rent, and more for credit than is spent by middle-income and upper-income consumers.

The sad truth is that economic discrimination is all too common in the Nation's slums. Indeed, more than a little of the smoldering resentment that has exploded in cities across the country can honestly be attributed to the victimization of the consumer poor.

You already have in your possession a battery of facts and figures, gathered in survey after survey, which offer conclusive evidence that those least able to afford it pay the highest prices for food.

The poor pay more because they must shop in small and often inefficient foodstores rather than in the large supermarkets available in middle-income city neighborhoods and in the suburbs.

The fact is that the large supermarket chains are reluctant to serve ghetto neighborhoods, and that when they do serve ghetto neighborhoods, it is all too frequently with small and obsolete units selling inferior-quality food at elevated prices.

A marketing revolution has swept across our Nation in the last two decades, bringing to the consumer a greater choice of food products and a substantial savings in food-handling costs, but the poor have not been allowed to share the benefits that other consumers are now able to accept as a matter of course.

The excellent survey conducted by Deputy Mayor Timothy Costello has discovered that the greatest form of discrimination by supermarkets against the ghetto consumer is not the price differential or the quality differential, but the lack of any kind of supermarket service at all.

Intensive investigation by the consumer protection unit of MEND, the East Harlem community action program, seems to indicate that systematic discrimination against Harlem and East Harlem consumers is part of the operational policy of certain large supermarket chains.

MEND has also uncovered several instances where food stores have flagrantly raised prices on the days when welfare clients receive their checks.

A common form of discrimination against the ghetto consumer is in the sale of fresh, perishable food. The housewife shopping on 125th Street or on Lenox Avenue may pay the same or more for a head of lettuce or a cut of meat than does the shopper on the middle East Side. Yet for her money, the woman on 125th Street is likely to receive a wilted head of lettuce and a tough, old, and hard to digest piece of meat while the East Side consumer will receive a product of considerably higher quality.

For too long, the supermarket chains have dumped their lowest quality perishable goods into the slum areas.

Discrimination against the poor consumer by food merchants is but one of the hundreds of ways in which the weaknesses of the poor are exploited for

economic advantage. Consumer exploitation is a tragedy which is daily repeated over and over among the urban poor.

It includes credit exploitation, where credit today is readily extended at exorbitant cost to those who can least afford it, including those on welfare.

And yet, it is these low-income people who are often worst equipped in terms of education and experience to cope effectively with the mysteries of the credit system and to choose rationally between the various sources of credit offered to them.

Any remedy to the problem of food price discrimination must be part of a total attack on the economic exploitation of the consumer poor.

It must be an attack fought on three fronts: (1) efforts by Government to encourage additional large supermarkets in low-income neighborhoods; (2) Government prohibition of specific forms of price and quality discrimination; and (3) a massive program of consumer education to enable low-income people to make the most effective use of their economic resources.

There is one positive way to get new supermarkets and to insure that consumers will not suffer price or quality discrimination. This solution is for the poor consumers themselves to own the supermarket where they shop and to participate in the management of such a supermarket.

The people of Harlem increasingly are turning to the co-op market as a solution to food price and quality exploitation.

Recently I attended a meeting of Harlem citizens involved in organizing a cooperative supermarket in the Esplanade Gardens housing development. It is difficult in Harlem to bring large numbers of people out to a meeting and I expected to find perhaps 20 or 30 people.

I walked into a room packed with over 400 people and found out that these were not just people who had come out of curiosity—most of them had paid a $5 fee, the first step in becoming shareholders, co-owners of the new co-op market.

In West Harlem, the Morningside Consumer Cooperative has been successful in providing large numbers of low-income consumers with good-quality food at low prices.

Many sophisticated consumers from all over the ghetto, including a distinguished assemblyman, shop at this co-op market and carry their food home in a taxi in order to avoid the inferior quality and higher prices of ghetto foodstores.

As a first step in allowing low-income consumers to benefit from modern techniques of food marketing, I urge that the Federal Government and city governments take steps to encourage the establishment, growth, and operation of cooperative supermarkets in low-income neighborhoods.

Such asssitance must include long-term loans at low interest rates to provide part of the capital needed for construction and initial operating costs. It should also include providing community groups seeking to establish a cooperative food market with expert technical assistance in food retailing.

In this area, perhaps the expertise developed by the large food chain could be employed and the Federal Government could contract with the food chains to provide assistance to low-income people in setting up cooperative supermarkets.

But more than co-op markets will be needed for the poor to protect themselves from economic exploitation. What is most needed is a massive program of consumer education.

Exploitation will end only after the would-be exploited become sophisticated consumers and are able to recognize when they are being exploited, and then know what they can do about it.

Green power—the power of the sophisticated consumer to spend his money only where quality food is offered at reasonable prices—is the best answer to those who would seek to exploit.

In the Manhattan Borough president's office, we are seeking to organize a consumer protection and education program which would operate under the direction of our local community planning boards.

Such a program could aid in organizing cooperative supermarkets, could conduct comparison shopping surveys and communicate the results through a local newsletter, and could conduct classes for Manhattan consumers in how to organize a family budget and how to shop effectively.

On a national scale, this kind of a massive consumer education program should be undertaken by the antipoverty program.

The best device which Government has yet developed for involving the poor and enabling the ghetto resident to guide his own destiny, is the community action program, funded by the office of Economic Opportunity.

A community action, consumer protection program would directly involve the poor by training low-income people as paid consumer education specialists to conduct small community discussion groups on such topics as how to shop for the best price, how to avoid credit pitfalls, and how to plan a budget.

MEND in East Harlem has developed a highly effective consumer protection program under its consumer education director, Stephen Press. I urge you to acquaint yourselves with what MEND is doing. This program deserves serious consideration as a model for the kind of nationwide program that I have recommended.

If this inquiry is to have a major impact on the ghetto consumer, it must suggest more than merely regulating the price practices of supermarkets. My suggestion in the area of providing cooperative markets and a massive consumer education program are two of many possible ways in which Congress can act to protect the low-income consumers in our society.

Congressman Rosenthal, I salute you and your colleagues for conducting these very important hearings and I thank you for indulging my appearance.

PRESIDENT OF THE BOROUGH OF MANHATTAN,
CITY OF NEW YORK,
New York, N.Y., December 21, 1967.

Hon. BENJAMIN ROSENTHAL,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN ROSENTHAL: Earlier this month I was privileged to submit testimony before your special inquiry on food prices in the ghetto areas. At that time I suggested that the Government aid supermarket cooperatives as one method of ending the food price and quality discrimination in low-income neighborhoods across our Nation.

All too frequently, the large supermarket chains are reluctant to serve ghetto neighborhoods. When they do offer service to low-income communities, it is often with small and obsolete units selling inferior-quality food at inflated prices.

I am convinced that there is one positive way to get new supermarkets and to insure that consumers will not suffer price or quality discrimination. This solution is for the poor consumers themselves to own the supermarket where they shop and to participate in the management of such a supermarket.

I have completed further research in this area and am now able to make specific recommendations concerning how such a program might be carried out.

It seems to me that the proper vehicle for stimulating the formation of consumer cooperative markets in ghetto areas is the Small Business Administration. In order to involve the SBA in loans to cooperative supermarkets it is likely that additional legislation is needed.

Assistance by the SBA must include long term loans at low interest rates to provide part of the capital needed for construction and initial operating costs.

It must also include technical assistance in food retailing for community groups seeking to establish a neighborhood co-op.

There are apparently two reasons why the Small Business Administration presently will not make loans to consumer cooperatives. First, consumer co-ops are not profit-seeking businesses even though they exist for pecuniary motives and second, they would not meet minimal financial requirements.

The Code of Federal Regulations, title 13, section 120.1(a)(4), states:

"Financial assistance will not be granted by SBA: if the applicant is an ellemosynary institution or other non-profit enterprise: *Provided, however*, that this provision shall not be construed to bar financial assistance to a cooperative if it carries on a 'business activity' [quotations added] and the purpose of such activity is to obtain pecuniary benefit for its members in the operation of their otherwise eligble small-business concerns."

The Small Business Administration states that supermarket cooperatives are not "business activity" within the meaning of the regulations since their primary motivation is not profit. The act is now interpreted to apply only to, say, cooperative purchasing agencies for profit-seeking businesses. This must be statutorily modified.

In addition, according to IS U.S.C.A. 682(a), each applicant must have a paid-in capital and surplus equal to at least $300,000. Since all loans are, to a degree, discretionary with the Small Business Administration, there is no reason for such a high minimum. Rather, the minimum should be dropped—at least for cer-

tain programs such as this—so long as the applicant is financially secure in the opinion of the Small Business Administration.

I hope that my suggestions will prove of some assistance as you prepare legislation for the upcoming congressional session.

Your comments and criticisms are welcome.

Sincerely yours,

PERCY E. SUTTON.

PREPARED STATEMENT OF JOSE A. CARABELLO AND AIDES, FORT GREENE COMMUNITY CORP., BROOKLYN, N.Y.

As a result of a great many complaints from our immediate community, Fort Greene, concerning high food prices especially in A. & P. on Myrtle Avenue near Ashland Place in Brooklyn, and in Finast Supermarket on Myrtle Avenue near Prince Street in Brooklyn, the consumer protection department of this agency, of which I am supervisor, has undertaken to try and prove this complaint and take action along those lines. One other major complaint was that prices were being fixed at will, particularly on days welfare recipients received their checks; the 1st and the 16th of every month.

Essentially, this department's objective is to make consumers more aware of their shortcomings in the marketplace, instructing them as to their rights, and arming them with as much related data as possible, for his protection; so that they may enter the marketplace causing the seller to be aware rather then the buyer to be aware.

The aides from this department did most of the comparison pricing surveys which were conducted in order to document proof of the discrepancies previously stated. These supermarkets in this community were compared to those same stores in other middle-income areas such as Flatbush and Bay Ridge. Bear in mind that this survey is limited to a few supermarkets and not as large scale or scientific as has been done by other groups throughout the country. But nevertheless, the facts are as follows:

A. & P.

[In cents]

Products	June 13, 1967, Myrtle Ave.	June 13, 1967, Flatbush Ave.
Gold Medal flour (2 pounds)	33	39
Hunts tomato sauce (15 ounces)	[1] 35	[1] 29
Del Monte canned corn (12 ounces)	[1] 53	[1] 43

FINAST SUPERMARKET

[In cents]

Products	Apr. 26, 1967 Myrtle Ave.	Apr. 26, 1967 Bay Ridge, 93d and 3d Ave.
Duncan Hines cake mix (1 pound)	39	37
Jiffy corn mix (10 ounces)	11	12
Aunt Jemima (2 pounds)	41	45
Uncle Ben's rice (2 pounds)	69	69
Carolina rice (medium)	39	41
Parks smoked sausage (1 pound)	79	75

KEY FOOD

[In cents]

Products	June 20, 1967 Fulton St.	June 20, 1967 Flatbush Ave.
Ajax cleaner (14 ounces)	[1] 33	[1] 31
Beacon wax (1 pint 11 ounces)	89	85
Minute Maid orange juice (6 ounces)	[1] 39	[1] 35
Campbell soup (10½ ounces)	[1] 39	[2] 53
Kellogg's corn flakes (12 ounces)	33	31
Del Monte canned peas (1 pound)	[1] 49	[1] 49

[1] Price for 2 items.
[2] Price for 4 items.

In addition to the stores previously named, a survey was done on Key Food Supermarket on Fulton and Washington Avenues in Brooklyn and the same store in Flatbush near Grand Army Plaza.

KEY FOOD

[In cents]

Products	Myrtle Ave.	Flatbush Ave.
Eggs grade A (brand name) large (1 dozen)	49	49
Elmhurst milk (1 quart)	[1] 55	30
Freestone peaches (sliced medium)	33	31
Scott toilet paper (1 roll)	[1] 27	[1] 49

[1] Price for 2 items.

You note that in this survey that although most of the items compared were higher priced in Fort Greene, which is a low-income area, there are a few items that are of higher prices in the middle-income area. This is pointed out to show that prices are usually higher in low-income areas, but not exclusively.

In addition, the person that surveyed this store also made note of the fact that aisles were cluttered with boxes throughout the day, and in her opinion the produce was not fresh and the quality of meats was much better in the middle-income-area stores.

Another type of survey that was done was one of the same store on 2 different days to see how prices varied in that short space of time (one day after another).

FINAST SUPERMARKET

[In cents]

Products	Myrtle Ave. June 13	Myrtle Ave. June 14
Canned snap beans (1 pound)	33	29
Ivory soap (large)	[1] 39	[1] 35
Scott toilet paper	13	[1] 49
Maxwell House coffee (1 pound, 10 ounces)	75	77

[1] Price for 2 items.

Here we have a few items with no consistency of prices in a difference of 1 day, again, price changes in a matter of 1 day.

A. & P.

[In cents]

Products	June 13	June 14
A. & P. brand milk (1 quart)	27	[1] 55
A. & P. Brand Tropicana orange juice	23	25
Bumble Bee tuna (7 ounce)	43	39
Quaker Oats Cooked Breakfast (1 pound, 2 ounce)	[1] 49	29
Dole canned pineapple (chunks) (1 pound 4½ ounce)	37	39
Del Monte canned bean soup (1 pound)	21	[1] 49

[1] Price for 2 items.

This discrepancy is constant and as you can see, and is not limited to one particular store. None of these days were sale days. These are the facts.

Now, gentlemen I say to you, What do you propose to do? I certainly hope you will provide some effective means to do away with some of the unscrupulous tactics and malpractices that occur in the marketplace.

One final note on unscrupulousness. On June 15, 1967, this department in conjunction with the department of markets, conducted "Operation Lamb-Chop."

Ten stores were surveyed. Of the 10, five were found to be cheating consumers. Violations were issued for shortweight and unmarked goods. Fortunately or unfortunately, no spoiled meat was found. This is an average of 50 percent of the store surveys. If one were to project this percentage, one could imagine that of all the stores in Fort Greene, at least 50 percent are sponging off consumers, it would be a sad thought indeed.

Mr. ROSENTHAL. The committee stands adjourned.

(Whereupon, at 4:45 p.m., the hearing was adjourned.)

CONSUMER PROBLEMS OF THE POOR: SUPERMARKET OPERATIONS IN LOW-INCOME AREAS AND THE FEDERAL RESPONSE

SATURDAY, NOVEMBER 25, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL CONSUMER INQUIRY,
SPECIAL STUDIES SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
St. Louis, Mo.

The subcommittee met, pursuant to notice, at 10 a.m., in St. Nicholas Community Center, 1827 Lucas Street, the Honorable Benjamin S. Rosenthal (chairman of the subcommittee) presiding.

Present: Representatives Rosenthal and Myers.

Also present: Peter S. Barash, professional staff member; I. Warren Harrison, legal assistant; William Copenhaver, minority staff member; and Veryl L. Riddle, U.S. attorney, St. Louis, Mo.

Mr. ROSENTHAL. The subcommittee will be in session.

We are delighted to be here in St. Louis this morning. We believe we have an important function to perform. Today's hearing by the Special Consumer Inquiry of the House Committee on Government Operations continues and broadens an investigation begun last month in Washington, D.C., on charges that certain supermarket chainstores discriminate in their pricing and marketing practices against the poor. Subsequent to our Washington, D.C., hearing numerous reports of similar practices in other cities, including New York and St. Louis, have been received. Hearings were held yesterday in New York City. We are confronted, therefore, with allegations that there may be exploitation of the poor in their most essential human activity, the consumption of food.

Whether or not the charges being heard today are sustained, events of the last month lead us to the conclusion that consumer problems of the poor in our society have not received the kind of attention that they deserve. No less than five Federal agencies have either a legal responsibility or a moral obligation, or both, to confront the types of consumer injustices to be alleged here today.

Federal responsibility in this area is clear:

The Federal Trade Commission has broad legal responsibilities to safeguard the consuming public by preventing unfair or deceptive acts or practices and also has a responsibility for putting the spotlight of publicity on economic developments adverse to the public interest which may fall short of specific law violations;

The Office of Economic Opportunity represents the institutional embodiment of U.S. policy to eliminate the paradox of poverty in the midst of plenty in this Nation by opening to everyone the opportunity to live in decency and dignity;

The U.S. Department of Agriculture, in its administration of the food stamp program, has a responsibility both to the beneficiaries of that plan and the fiscal integrity of the food stamps themselves;

The Welfare Administration of the Department of Health, Education, and Welfare underwrites a large part of the costs to the States for welfare assistance to needy families spending approximately a third of their income on food;

The Bureau of Labor Statistics of the Department of Labor has responsibility for identifying and developing family-budget studies, including budget studies for the low-income consumer.

The House Committee on Government Operations, of which this subcommittee is a part, under the Rules of the House of Representatives, and under the Legislative Reorganization Act of 1946, has responsibilities and duties which cover a wide range of Government activities. Primary among these duties is our statutory mandate to study the operation of Government activities at all levels with a view to determining its economy and efficiency. Whether the operations of the agency activities described above are efficient relative to the problem being discussed here is the long-range question we seek to answer.

We are here today to examine into the nature and extent of the problem itself and to express our concern that these allegations and many others like them can exist and to understand how our Government can address itself properly to them so that solutions may be properly and rapidly found. Equal justice in the marketplace is hardly less important to the poor than equal justice before the law. Price discrimination is intolerable under any circumstances, but particularly so because food expenditures account for about a third of the income of the urban poor.

I do want to say this, that we have had assistance and cooperation from Congresswoman Sullivan and Congressmen Frank Karsten and Mel Price, in the preparation of this meeting here today and all of them have been very helpful in some of the preliminary work associated with this investigation.

I also want to say that Mrs. Sullivan, who is chairman of the Consumer Subcommittee of the House Committee on Banking and Currency, is presently involved in the very important consumer-oriented truth-in-lending bill and has been meeting daily on that matter.

There is one personal note that I am going to mention. I came here because the clarion call for Federal action appeared evident, but I also came to find the house that my grandfather occupied from 1859 to 1872 at 1427 Morgan Street, which is now a highway they tell me, and so I suspect the next investigation is why they build highways over people's houses. [Laughter.]

Our first witnesses will be Mr. Harry Nadler and Mr. Eugene Baum of the Human Development Corp. of Metropolitan St. Louis.

STATEMENTS OF HARRY NADLER AND EUGENE BAUM, HUMAN DEVELOPMENT CORP. OF METROPOLITAN ST. LOUIS

Mr. BAUM. Mr. Nadler will begin our presentation with a detailed findings of the survey, and I will follow with my interpretation and analysis of the results of that study. From time to time Mr. Nadler

will use the screen to our left, so we'll probably have to shift around a bit to see it.

Mr. Nadler began the initial food price survey on his own, and up to the present time has worked voluntarily with HDC. He has given his full time for no pay at all up till now, and he has done a very fine job in collecting data and arranging it, and now we'd like to hear from Mr. Nadler.

Mr. NADLER. I want to give you just a brief history of how I got interested in food price discrimination.

I was a graduate student at George Warren Brown School of Social Work at Washington University and I was doing field work at Kingdom House, which is in a poverty area in St. Louis on the near South Side. In March I went out to buy some food for a party there and I found that the prices were much higher than what my wife, Ellen, had been paying for the same kinds of food, and I got permission from the agency to go out and do a survey to see just how universal this was. When I found the results, I took it to HDC, and from there we worked a much larger survey of which we are going to be reporting today.

I want to make clear that there were two different surveys. The survey that we are going to be talking about now is primarily the survey that was conducted in October. For this purpose, we want to go over very briefly the methodology of how we did the survey.

We started with our compiling a list of different items that we'll show on the screen over here. This is what the survey list looked like. There is a list of items, a section for prices, quantities and amounts are stated. These were handed out to several people to go into the stores and obtain the prices for those items. The lists were compiled independently. In March I had gone around to several people in the poverty area, asked them to give me items for the kinds of things that they thought would be in a typical market basket. Independently, Gene went out and did the same thing. We obtained two price lists and then when we got together for the survey, we brought the two lists together and they were almost identical. We made a couple of revisions for purposes of research and came up with the list that you see up there.

We decided that we needed a fairly large number of stores, so we selected stores in the poverty areas representing five different chains or organizations. Now, I think we'd best define what we meant by chains and organizations.

A grocery chain was any group of stores that is corporately owned, has the benefits of joint advertising and joint costs, joint buying, this sort of thing.

The organizations, a grocery organization is the same thing to us except they are not corporately owned. They do have the benefits of joint advertising and the benefits of joint purchasing.

Mr. ROSENTHAL. You mean somebody like A–G stores?

Mr. NADLER. A–G and IGA are the two organizations we dealt with. The chains that we dealt with are Kroger, National, and A. & P.

We selected stores in three different sections of St. Louis. We had had an idea that price zones existed and we wanted to make sure that we were selecting stores from different areas for the best possible representation. We selected stores from far north county, far south county and Metropolitan St. Louis, intercity, rather, and that is this map

here [indicating]. The stores in red are the A–G stores, stores in green are Krogers and in blue are National, and you will see the poverty area outlined by the solid red line.

Mr. BARASH. Could you identify the types of stores in the poverty area? It is a little difficult to discern the difference between the green and the blue.

Mr. NADLER. This blue store [indicating], this store up here is a National and the one in the corner over here is a National in the poverty area. These other two are Kroger stores, the one a little bit to the top is the one across the street from Pruitt-Igoe housing project. This A–G store down here is about a block from Darst-Webbe public housing.

Mr. ROSENTHAL. Could you tell us how far apart each of these stores are so we can relate to the question of competition?

Mr. NADLER. The two Kroger stores are the closest ones, and I would say they are about a mile and a half to 2 miles apart, maybe a little bit farther. I didn't check those in terms of mileage. Otherwise, they are pretty far apart. So the question of competition would be very relevant as compared to the outlying areas where these stores are located in the same shopping centers in many cases or within a block or two of each other.

As soon as we had the stores selected and the lists ready, a team of four went into these stores, always at least two in the same store. The team consisted of Mrs. Baum, a friend, James Smart, and Gene Baum and myself. We went over a period of three different days, October 19 through the 21st. However, all stores within the——

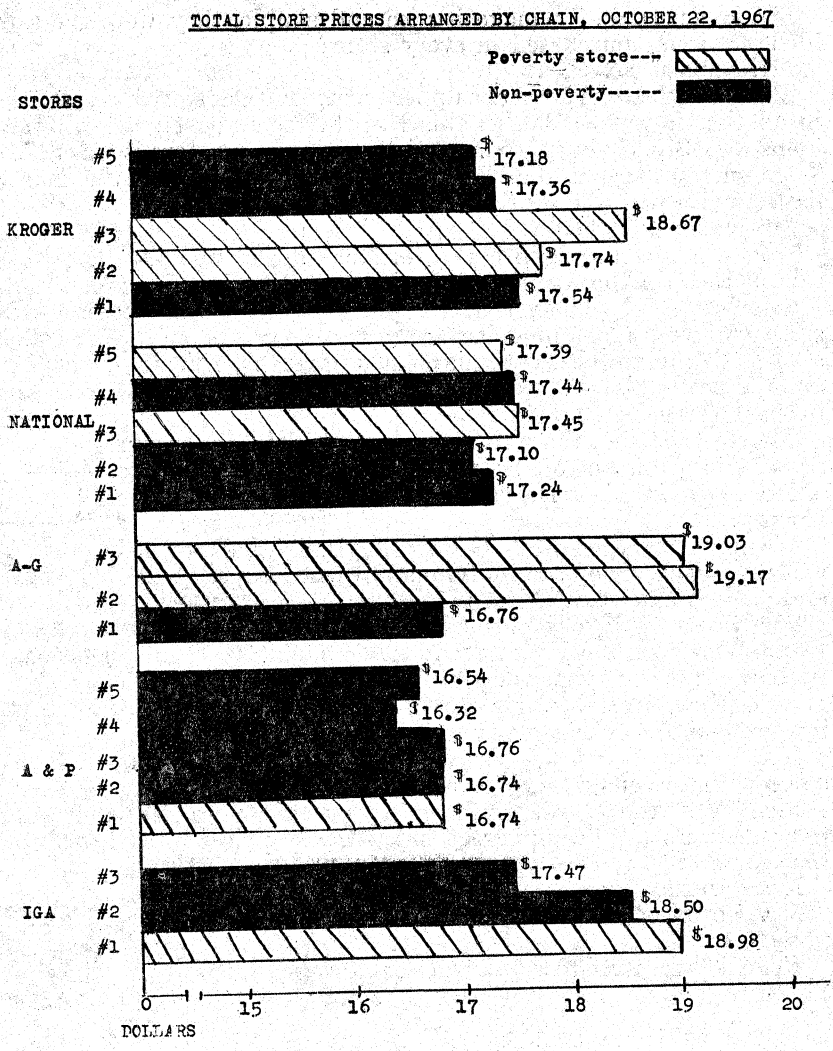
Mr. ROSENTHAL. Is that this year?

Mr. NADLER. Yes; this year.

All stores within the same chain were sampled within a 24-hour period of each other. For instance, all Kroger stores would have been sampled from the evening of the 19th through the afternoon of the 20th. All Nationals may have been sampled the evening of the 20th through the afternoon of the 21st, but all stores were within a 24-hour period if they were in the same chain. All stores were sampled within a 48-hour period.

The results were analyzed entirely by Gene Baum and myself and two research assistants that work for HDC. The findings are very indicative to us that there is price discrimination.

The first chart that we'll see shows the prices for the totals on the different lists. [This chart appears immediately below.] This [indicating] is a graph representing the totals for the five different stores. Now, the numbers may be a little difficult to read, but the point to remember is that the lines that are slashed are poverty-area stores, the solid lines are non-poverty-area stores.



The five stores at the top are Kroger stores, and the line in the center [identified as store No. 3], is the store across from Pruitt-Igoe, a large public housing project. Now, you see the extreme difference between that store with a total of $18.67, this represents the total list, as compared to the store in the far north county which had a total of $17.18.

Mr. ROSENTHAL. Let me just recount that for a moment. There are five Kroger stores there, all shopped on the same day; is that correct?

Mr. NADLER. Right.

Mr. ROSENTHAL. How many items were in that shopping basket?

Mr. NADLER. Twenty-nine items.

Mr. ROSENTHAL. All the same 29 items were priced at all five stores?

Mr. NADLER. All were brands and all were the same quantity and all were priced at those five stores.

Mr. ROSENTHAL. To make it nice and simple, they were the same identical items purchased in every store?

Mr. NADLER. Exactly.

Mr. ROSENTHAL. And in one upper income Kroger store it was $17.18; in another it was $17.36. In this Pruitt-Igoe Kroger store the same items were $18.67; in another low-income innercity store it was $17.74. Then in another middle-income outlying Kroger store the market basket price was $17.54?

Mr. NADLER. Right.

Now, the second group is the National stores, there are five stores sampled, again the identical list, the same list that we used for the Kroger store for that matter, and you will see that the poverty-area store, while not much higher, was the highest of all, and there is about a 35-cent difference between the county store, the extreme county store and the poverty-area stores. Two of the three higher priced areas were in the poverty area.

The A–G stores, the two are represented in the extreme poverty areas, Kinloch is one of the, probably the, what, most poverty——

Mr. BAUM. It is an area of extreme poverty in north St. Louis County.

Mr. ROSENTHAL. Those A–G stores are individually owned?

Mr. NADLER. They are individually owned but they do buy jointly and have common advertising.

The Vincent's store [identified as store No. 3] is across the street from Darst-Webbe public housing which has about 7,000 or 8,000 people in it, and it is one of the few stores in the immediate area. The Delmar Loop or the University City store is in a Jewish middle-class area, and it was about $2.41 cheaper than Kinloch for the same items.

A. & P. was fairly consistent, and IGA was; there was some variance, again with the county stores being cheaper.

Mr. ROSENTHAL. Now, you have in your testimony the list of items that made up this shopping basket with the prices in each store; is that correct?

Mr. NADLER. Yes.

Mr. ROSENTHAL. And we shall include that in the record at this point.

(The lists referred to appear immediately below:)

Store location	Store No.	Description of area
(1) Associated Grocers stores:		
6500 Delmar	1	Middle-class, Jewish, county.
Carson Rd	2	Kinloch City, Mo., County, all Negro low income.
10th St. and Park	3	Near south side of city, serves public housing, and transient white lower income.
(2) Independent Grocers Association stores:		
Delmar and Euclid	1	Central city, lower middle income, mixed Negro and white.
Olive and Shulte	2	Far west county, upper middle income area, all white.
Dunn and Graham Rds	3	Far north county, white, upper middle income area.
(3) Great Atlantic & Pacific:		
Olive and Hanley [1]	1	Middle class, white, Jewish, county.
New Ballas Rd. and Olive [1]	1	Upper middle income, far west county.
Russell and Gravois [1]	1	Near south side, serves public housing and white lower income area.
9651 Manchester	2	Far south county, German population, white, middle to upper middle income.
8500 Watson	3	Far south county, upper middle income.
Village Square Shopping Center	4	Far north county, all white, upper middle income.
470 Dunn Rd	5	Far north county, all white, upper middle income.
(4) National Food Stores:		
9901 Manchester	1	Far south county, white, middle to upper middle income.
440 North Highway 140	2	Far north county, upper middle income.
Debaliver and Kingsbury	3	Central west part of the city, serves mixed Negro and white, lower middle income.
McKnight and Delmar	4	Central county, middle income area, Jewish.
4250 North 20th St	5	Mixed Negro and white, lower middle income.
(5) Kroger Food Co.:		
Olive and McKnight Rd.[2]	1	Middle income area, central county, Jewish.
Olive and Purdue [2]	1	Do.
2162 North 13th St	2	Near north side of the city, lower income Negro area, not public housing.
Jefferson and Stoddard	3	Across the street from Pruitt Igoe public housing, all Negro, lower income.
9955 Manchester [2]	4	Middle to upper middle income area, far south county.
9501 Watson Rd.[2]	4	Do.
770 North Highway 140	5	Far north county, upper middle income.

[1] The above 3 stores had the identical prices.
[2] Prices were identical.

A–G STORES, ASSOCIATED GROCERS, OCT. 19–20

Item	Price			Amount	Brand
	No. 1	No. 2	No. 3		
Ham (canned)	4.95	5.29	5.29	5 lb	Mayrose.
Hotdogs	.59	.69	.59	1 lb	Hunters, Mayrose.
Chicken (fryer)	.23	.29	-------	1 lb	
Pork sausage	.59	.59	.63	1 lb	Hunter, Krey.
Canned corn	.25	.28	.29	1-lb. can	O–M, A–G, Stokely.
Canned peas	.25	.28	.29	1-lb. can	Green Giant.
Frozen peas	.24	.17	.22	1 lb. 10 oz	Bird.
Frozen corn	.25	.25	.25	1 lb. 10 oz	Birds Eye.
Frozen lima beans	.25	.35	.35	1 lb. 10 oz	Do.
Idaho potatoes	.79	.69	.59	10 lb. 5 lb.	
Tomato soup	.13	.16	.15	10¾ oz	Campbells.
Vegetable soup (vegetarian)	.15	.17	.22	10¾ oz	Do.
Bananas	.20	.20	.18	2 lb	Chiquita.
Tomato juice	.25	.39	.39	46 oz	Hunts.
Orange drink	.33	.39	.39	46 oz	Hi-C.
Milk	1.05	1.10	1.07	1 gal	Sealtest.
Bread	.39	.39	.38	Sandwich loaf	Wonder.
Cooking oil	.93	1.00	.89	1 ot. 6 oz	Wesson.
Eggs (large)	.51	.55	.59	1 doz	Grade A large.
Salt	.13	.14	.15	1 lb. 10 oz	Morton.
Margarine	.31	.39	.45	1 lb	Kraft Miracle Whip.
Flour	.63	.75	.69	5 lb	Gold Medal.
Sugar	.59	.69	.59	5 lb	C. & H.
Cheese	.94	1.09	1.09	2 lb	Velveeta.
Coffee	.79	.93	.79	1 lb	Folgers, Manhattan, Old Judge.
Cereal	.49	.49	.55	10½	Special K.
Spaghetti	.29	.29	.29	1 lb	R–F.
Jelly (grape)	.31	.29	.35		Smuchers, Kraft.
Baby food	.18	.19	.18	7¾ oz	Gerbers Juniors.
Total	16.76	19.48	19.03		

KROGER GROCERY STORES, OCT. 19–20

Item	Price					Amount	Brand
	No. 1	No. 2	No. 3	No. 4	No. 5		
Ham (canned)	$5.81	$5.81	$6.65	$5.81	$5.81	5 lb	Dubuque.
Hotdogs	.59	.59	.69	.59	.59	1 lb	Hunter, Mayrose.
Chicken (fryer)	.33	.33	.35	.25	.25	1 lb	
Pork sausage	.59	.59	.59	.59	.55	1 lb	Krey, Hunter.
Canned corn	.23	.24	.23	.20	.20	1 lb. 1 oz	Del Monte.
Canned peas	.25	.25	.25	.25	.25	1 lb. 1 oz	Do.
Frozen peas	.17	.22	.22	.20	.20	10 oz	Birds Eye.
Frozen corn	.17	.23	.23	.20	.17	10 oz	Do.
Frozen lima beans	.25	.25	.25	.25	.30	10 oz	Do.
Idaho potatoes	.79	.79	.79	.79	.79	10 lb	
Tomato soup	.13	.13	.13	.12	.12	10¾ oz	Campbells.
Vegetable soup (vegetarian)	.14	.14	.14	.14	.14	10¾ oz	Do.
Bananas	.20	.20	.20	.20	.20		
Tomato juice	.35	.37	.35	.35	.35	46 oz	Libbys.
Orange drink	.30	.32	.32	.30	.30	46 oz	Hi-C.
Milk	1.03	1.03	1.03	1.03	1.03	1 gal	Sealtest, Adams.
Bread	.38	.38	.38	.38	.38	Sandwich loaf	Wonder.
Cooking oil	.85	.85	.85	.85	.85	1 qt. 6 oz	Wesson.
Eggs (large)	.45	.45	.45	.43	.43	1 doz	Grade A, large.
Salt	.12	.12	.12	.12	.12	1 lb 10 oz	Morton.
Margarine	.31	.35	.35	.35	.35	1 lb	Kraft Miracle Whip.
Flour	.59	.59	.59	.49	.49	5 lb	Gold Medal.
Sugar	.59	.59	.59	.55	.39	5 lb	C. & H.
Cheese	.94	.94	.94	.94	.94	2-lb. loaf	Velveeta.
Coffee	.76	.76	.76	.76	.76	1 lb	Folgers.
Cereal	.51	.51	.51	.51	.51	10½ oz	Kellogg's Special K.
Spaghetti	.27	.27	.27	.27	.27	1 lb	R-F.
Jelly (grape)	.27	.27	.27	.27	.27	10 oz	Kraft.
Baby food	.17	.17	.17	.17	.17	7¾ oz	Gerbers Junior.
Total	17.54	17.74	18.67	17.36	17.18		

NATIONAL FOOD STORES, OCT. 19–20

Item	Price					Amount	Brand
	No. 1	No. 2	No. 3	No. 4	No. 5		
Ham (canned)	$5.19	$5.19	$5.19	$5.19	$5.19	5 lbs	Swift.
Hotdogs	.59	.59	.69	.69	.69	1 lb	Hunter, Mayrose.
Chicken (fryer)	.39	.39	.39	.39	.39	1 lb	
Pork sausage	.59	.59	.59	.59	.59	1 lb	Krey, Hunter.
Canned corn	.25	.25	.25	.25	.25	1 lb. 1 oz	Del Monte.
Canned peas	.25	.25	.25	.25	.25	1 lb. 1 oz	Do.
Frozen peas	.22	.22	.23	.22	.22	10 ozs	Birds Eye.
Frozen corn	.25	.25	.25	.25	.25	10 ozs	Do.
Frozen lima beans	.25	.25	.25	.25	.25	10 ozs	Do.
Idaho potatoes	.89	.89	.89	.89	.89	10 lbs	
Tomato soup	.13	.10	.13	.13	.13	10¾ ozs	Campbells.
Vegetable soup (vegetarian)	.14	.14	.14	.14	.14	10¾ ozs	Do.
Bananas	.15	.15	.15	.15	.15	1 lb	
Tomato juice	.37	.37	.37	.37	.37	46 oz	Libbys.
Orange drink	.32	.22	.32	.32	.32	46 oz	Hi-C.
Milk	1.03	1.03	1.03	1.03	1.03	1 gal	Sealtest, Adams.
Bread	.38	.38	.38	.38	.38	Sandwich loaf	Wonder.
Cooking oil	.85	.85	.85	.85	.85	1 qt. 6 oz	Wesson.
Eggs (large)	.49	.49	.49	.49	.49	1 doz	Grade A, large.
Salt	.12	.12	.12	.12	.12	1 lb. 10 oz	Morton.
Margarine	.35	.35	.35	.35	.35	1 lb	Kraft Miracle Whip.
Flour	.49	.49	.59	.59	.59	5 lb	Gold Medal.
Sugar	.59	.59	.59	.59	.59	5 lb	C. & H.
Cheese	.94	.94	.94	.94	.94	2-lb. loaf	Velvetta.
Coffee	.76	.76	.76	.76	.76	1 lb	Folgers.
Cereal	.53	.53	.53	.53	.53	10½ oz	Kellogg's Special]K.
Spaghetti	.29	.29	.29	.29	.29	1 lb	R-F.
Jelly (grape)	.27	.27	.27	.27	.27	10 oz	Kraft.
Baby food	.17	.16	.17	.17	.17	7¾ oz	Gerbers Junior.
Total	17.24	17.10	17.45	17.44	17.39		

A. & P. GROCERY STORES, OCT 19–20

Item	Price					Amount	Brand
	No. 1	No. 2	No. 3	No. 4	No. 5		
Ham (canned)	$4.59	$4.59	$4.59	$4.59	$4.59	5 lb	Mayrose.
Hotdogs	.69	.69	.55	.65	.69	1 lb	Hunter, Mayrose.
Chicken (fryer)	.29	.29	.29	.25	.29	1 lb	Krey, Super-Rite.
Pork sausage	.45	.45	.55	.45	.45	1 lb	Super-Rite.
Canned corn	.25	.25	.25	.25	.25	1 lb 1 oz	Del Monte.
Canned peas	.29	.29	.29	.29	.29	1 lb. 1 oz	Do.
Frozen peas	.20	.20	.20	.15	.20	10 oz	A. & P.
Frozen corn	.20	.20	.20	.12	.20	10 oz	A. & P.
Frozen lima beans	.25	.25	.25	.15	.25	10 oz	A. & P.
Idaho potatoes	.89	.79	.79	.79	.79	10 lb	
Tomato soup	.13	.13	.13	.13	.13	10¾ oz	Campbells.
Vegetable soup (vegetarian)	.15	.15	.15	.15	.15	10¾ oz	Do.
Bananas	.17	.17	.17	.17	.17	1 lb	
Tomato juice	.37	.37	.37	.37	.37	46 oz	Libbys.
Orange drink	.35	.35	.35	.35	.35	46 oz	Hi-C.
Milk	1.03	1.03	1.03	.91	.91	1 gal	Sealtest, Adams.
Bread	.35	.35	.35	.35	.35	Sandwich loaf	Wonder, Jane Parker.
Cooking oil	.86	.86	.86	.98	.86	1 qt. 6 oz	Wesson.
Eggs (large)	.49	.49	.49	.49	.49	1 doz	Grade A, large.
Salt	.13	.13	.13	.13	.13	1 lb. 10 oz	Morton.
Margarine	.31	.32	.35	.33	.35	1 lb	Kraft Miracle Whip.
Flour	.59	.69	.59	.59	.59	5 lb	Gold Medal.
Sugar	.62	.61	.62	.61	.62	5 lb	C. & H.
Cheese	.98	.98	.98	.98	.85	2-lb loaf	Velveeta.
Coffee	.85	.85	.85	.85	.85	1 lb	Folgers.
Cereal	.50	.50	.50	.50	.50	10½ oz	Kellogg's Special K.
Spaghetti	.29	.29	.27	.27	.27	1 lb	R–F.
Jelly (grape)	.29	.29	.29	.29	.29	10 oz	Welch's.
Baby food	.18	.18	.18	.18	.18	7¾ oz	Gerbers Junior.
Total	16.74	16.74	16.76	16.32	16.54		

IGA GROCERS, OCT. 19–20

Item	Price			Amount	Brand
	No. 1	No. 2	No. 3		
Ham (canned)	6.55	6.49	5.55	5 lb	Mayrose.
Hot dogs	.69	.69	.69	1 lb	Hunter, Mayrose.
Chicken (fryer)	.45	.37	.39	1 lb	
Pork sausage	.59	.49	.49	1 lb	Krey, Hunger.
Canned corn	.25	.23	.24	1 lb. 1 oz	Del Monte.
Canned peas	.25	.25	.25	1 lb. 1 oz	Do.
Frozen peas	.20	.20	.20	10 oz	IGA.
Frozen corn	.20	.20	.20	10 oz	IGA.
Frozen lima beans	.24	.24	.24	10 oz	IGA.
Idaho potatoes	.93	.89	.91	10 oz	
Tomato soup	.13	.13	.13	10¾ oz	Campbells.
Vegetable soup (vegetarian)	.15	.14	.14	10¾ oz	Do.
Bananas	.17	.17	.17	1 lb	
Tomato juice	.39	.37	.37	46 oz	Libbys.
Orange drink	.32	.32	.32	46 oz	Hi-C.
Milk	1.05	1.03	1.03	1 gal	Sealtest, Adams.
Bread	.38	.38	.38	Sandwich loaf	Wonder.
Cooking oil	.85	.85	.85	1 qt. 6 oz	Wesson.
Eggs (large)	.47	.39	.45	1 doz	Grade A, large.
Salt	.12	.12	.12	1 lb	Morton.
Margarine	.31	.31	.35	1 lb	Kraft Miracle Whip.
Flour	.59	.55	.55	5 lb	Gold Medal.
Sugar	.59	.58	.55	5 lb	C. & H.
Cheese	1.12	1.12	.89	2-lb. loaf	Velveeta.
Coffee	.76	.76	.76	1 lb	Folgers.
Cereal	.50	.50	.52	10½ oz	Kellogg's Special K.
Spaghetti	.29	.29	.29	1 lb	R-F.
Jelly (grape)	.27	.27	.27	10 oz	Welch's.
Baby food	.17	.17	.13	7¾ oz	Gerbers Junior.
Total	18.98	18.50	17.47		

Mr. NADLER. Yes; they will be shown shortly.

Would you like to see the map again locating those particular stores?

Mr. ROSENTHAL. Yes; if someone would point them out to us.

Mr. NADLER. The Kinloch A–G is right here [indicating]. There wasn't a major grocery store anywhere near it. It is the only grocery store, major supermarket in Kinloch.

Mr. ROSENTHAL. How far is the closest competing-type supermarket?

Mr. NADLER. Several miles.

Mr. ROSENTHAL. Of any chain?

Mr. NADLER. Several miles. We didn't sample any others anywhere near it.

The county stores for all chains that had the lowest prices were out here in this section [indicating], north county. A. & P. and IGA are not on this map because they weren't represented today, but they also had the cheapest stores within a few blocks of these two stores up here [indicating]. The Vincent's A–G which was second highest is this store right down here [indicating] by Darst-Webbe public housing.

The Pruitt-Igoe Kroger store is right here [indicating] and the other Kroger store which had the second highest price was this store right here [indicating].

Mr. ROSENTHAL. Can you tell us how close the nearest competing supermarket is to the Pruitt-Igoe store?

Mr. NADLER. I don't know of another one in the immediate area. I may be wrong. I didn't find another one. They were several blocks away at least, most likely out of walking distance for a person that had to carry bags of groceries.

Gene, do you know of any others through there?

Mr. BAUM. The nearest store would definitely be out of reach in terms of carrying groceries or wheeling along in a basket of some type.

Mr. NADLER. Now, we have spoken to different chains about this matter and they have indicated that they do not have stores there in the immediate areas.

Mr. ROSENTHAL. Well, they will have a chance here today to explain to us their view of how far a person can walk. It may be different than your view.

Mr. NADLER. Right.

We have found, as a result of the bar graph that you saw just a few minutes ago, as much as 15-percent difference for an individual organization. A–G stores was over 15 percent, between the highest and the lowest stores that we surveyed.

The total for all poverty stores that we surveyed, versus all non-poverty stores, was about 6 percent.

Mr. BAUM. Six percent.

Mr. NADLER. Was 6-percent difference with the higher stores being in the poverty area.

Mr. ROSENTHAL. Do you have a percentage difference computed as to A. & P., National, and Kroger?

Mr. NADLER. A. & P., a very low percent, in fact, it was like about a tenth of a percent. They had very little difference within the total five stores we surveyed.

The National again was very low, less than 1 percent, also.

Kroger was 8.6 percent, I believe. It was over 10 percent between the highest and the lowest.

Now, I would like to go over the——

Mr. BARASH. Mr. Nadler, let me interrupt you a moment.

One of the definitions of poverty for a family of four speaks in terms of about $3,150 a year; and we have also been told that an average urban poor family spends about a third of its income on food. That would mean that the average poor family of four would spend approximately a thousand dollars a year on food.

You spoke just a moment ago of a 10-percent differential, at least as far as Kroger is concerned. This would amount, then, to about a hundred dollars that the poor inner-city family purchasing from Krogers, as alleged in your testimony, would have to pay, above what someone living in a particular suburb would have to pay.

In your experience in working in this field, how far would this hundred dollars carry a family of four, in terms of days or weeks or months, for purchasing food?

Mr. NADLER. Well, if they were spending about a thousand dollars a year for food, an additional hundred dollars would be an additional, about a month and a half almost.

I would like to go over the individual items for the three stores that we are dealing with.

The first group is the National Food Stores, and the five stores that we sampled there were a few items that did have different prices with the poverty area stores being the ones with the higher prices, and particularly those items, such things as flour. Five pounds of Gold Medal Flour was 59 cents in two of the poverty area stores and in the county stores it was 49 cents, the same item.

Mr. ROSENTHAL. Why do you mention flour? Is that a staple item that has some special significance?

Mr. NADLER. It was one that had an extreme difference, a higher percentage of variation than most of the other items, but it is an important item for most households, it did appear on our list which was obtained from several hundred women who were questioned.

I'd like to flash the prices for the A–G stores. While they are a little difficult to see, the circled items include some of these differences.

Mr. COPENHAVER. Mr. Nadler, before you go on to the A–G stores, with regard to National, did you find any items which were lower priced in the poverty areas stores than in the more wealthy areas?

Mr. NADLER. There were some items. The items, however, did not carry as much of a percentage difference as this did. Let's see if I can find—as a matter of fact, there was no item in the poverty area stores that was cheaper. In most cases the prices are the same as the items in the outlying areas, for National, that is. I believe you have these charts up there also.

The A–G stores, here are some of the extreme items that we found some extreme differences.

Mayrose 1-pound hot dogs, 59 cents in two of three stores; 69 cents in Kinloch.

Chicken, 23 cents a pound to 29 cents a pound at Kinloch.

Canned corn, Del Monte, 1 pound, 29 cents at Vincent's; 28 cents at Kinloch; 25 cents in University City.

Canned peas, the same story.

Frozen peas, no, sorry——

Mr. ROSENTHAL. These are all national brands; these are Bird's Eye you are talking about now?

Mr. NADLER. Yes.

Idaho potatoes, 10 pounds in University City, 79 cents; 5 pounds for 69 cents in Kinloch and 59 cents for 5 pounds at Vincent's.

Tomato soup, Campbell's, small can, 16 cents in Kinloch; 15 cents in Vincent's; and 13 cents in the county.

Campbell's vegetable soup, 22 cents at Vincent's; 17 cents in Kinloch; 15 cents in the county.

Milk, which is a very important item, $1.10 in Kinloch; $1.05——

Mr. ROSENTHAL. All the same brand milk?

Mr. NADLER. Yes, Sealtest.

Coffee, 93 cents for 1 pound of Folger's coffee, ground coffee, at Kinloch; 79 cents in the other two stores.

Cereal, Special K cereal, 55 cents at Vincent's; 49 cents at the other two stores.

These are extreme differences. The list goes on with a variation in almost all items.

Mr. BARASH. Were any of these items that you surveyed, on advertised special at the time of the survey?

Mr. NADLER. We did not check advertising because there are several different places that they may advertise that we aren't aware of. We just checked the prices on the shelves or on the items or, you know, whatever source we had.

Mr. BARASH. You say several different places. What do you mean by that?

Mr. NADLER. Well, University City stores may advertise in a county paper, whereas the stores in the poverty areas might not. All stores naturally advertise in the Post-Dispatch or the Globe-Democrat which are the two larger papers for St. Louis. Poverty area stores may advertise in newspapers that come out in that area, such as the Argus, the American, Crusader, any of these carry advertising for stores in their areas.

Mr. BARASH. With your permission, Mr. Chairman, would you Mr. Nadler go back and look through the various papers you have described for the dates on which you surveyed the A–G Stores and furnish the committee with any instances in which the items covered in your survey were advertised in any of the papers or publications that you mentioned?

Mr. NADLER. Well, we wouldn't know that because we don't have the advertisements from those papers. We didn't check the advertisements. We checked the prices in the stores.

Mr. BARASH. Is there a place where you could find back editions of those publications?

Mr. NADLER. I would imagine there are, yes.

Mr. BARASH. Would you do that and furnish us that information, send it to us in Washington?

Mr. NADLER. Yes.

Mr. BARASH. Thank you, Mr. Chairman.

Mr. NADLER. There were a total of 29 items that were checked, and for A–G there is only one item, two items, sorry, that had the same price for all three stores, two out of 29 had the same price. The rest were higher priced in the poverty areas.

Now, the Kroger store.

Now, for Krogers we found again that the Pruitt-Igoe store had a total of $18.67; the north county store had a total of $17.18, a difference of $1.49.

Mr. ROSENTHAL. Do you know what that is in percentages?

Mr. NADLER. Just 1 second. It was 10 something. I'll figure it real fast; 8.1 percent.

The items circled in red are poverty area stores, and those prices, as you can see, are higher than the items circled in blue which are the nonpoverty area stores.

Some examples, if you can't see them too clearly, canned ham, $6.65 for 5 pounds of DuBuque, as opposed to $5.81 in every other store.

Hot dogs, 69 cents at Pruitt-Igoe for Mayrose; 59 cents for all other brands, for the same brand in all other stores.

Pork sausage, 59 cents, sorry, wrong one, the canned corn was 23 cents versus 20 cents in the county. Frozen corn, 23 cents versus a low of 17 cents in two of the county stores.

Mr. ROSENTHAL. Campbell's vegetable soup is the same everywhere.

Mr. NADLER. In Kroger's, yes, and tomato soup had two different prices, 13 cents and 12 cents.

Those are about the extremes. The only other major difference was sugar which was 59 cents in three of the stores, 39 in one store and 55 in the other store. Fifty-nine cents was the standard price for quite awhile. Now, these other two stores may have had an ad in the paper at that time, we don't know.

Mr. ROSENTHAL. It is interesting if you just take Campbell's vegetable soup. You can buy it at many different prices on October 19 in St. Louis. You can buy it at 15 cents, 17 cents, 22 cents, 14 cents, 13 cents.

Mr. NADLER. For most of the items you will find that there are different prices depending on where you shop, even for national brands.

Salt, for instance, Morton's salt ran from 12 cents to 15 cents throughout the city.

Now, the total list of 29 items for Kroger's, 15 of them had different prices, 15 out of 29 items had different prices in one or more stores. Of these 15 different prices, 14 of them were higher in the poverty area. The nonpoverty area was higher on only one out of 29 items. This would not be true of all poverty area stores, but if you compare the highest to lowest or something like this, but poverty area stores ranged higher on a vast majority of them.

We will have more information about this shortly.

The final point to be made from the analysis of the data, as indicated by the map which you saw earlier, is that we do believe that there are at least three price zones for most of the chains and organizations in St. Louis. The data that we are using to back up this fact is that in all cases the lower prices for the chains or organizations were in the north county as I indicated, the second highest prices were in the, I mean second lowest prices were in the south county and the highest prices were in the intercity. We would suspect that these at least represent three different zones because the prices were pretty uniform within those areas.

Gene now will talk about what has happened after the survey was made in discussions with the different store representatives.

Mr. BAUM. Mr. Chairman, for the record, I'd like to enter our definition of food organization and food chain.

For the purposes of our study, organization, a food organization is defined as any group of stores enjoying the prerogative of common purchasing from a mutual wholesale market and benefiting from the coverage of pooled advertising efforts.

A retail food chain is defined as a group of retail outlets which engage in purchasing foods from a corporation-owned wholesale market, received benefits of corporation supported advertising, and, here, the distinguishing feature, abide by a set maximum price for each item in each store.

Mr. Nadler and I held our round of talks with store representatives of A–G, Kroger, IGA, National and A. & P. from November 8 to November 21. We were received with widely-varying degrees of cooperation and willingness.

We asked each of the representatives for reasons justifying the differences in prices between poverty and nonpoverty area stores. For the most part, price differences were attributed by the personnel interviewed to error of the store employees in marking food, or in the case of the independents, the individual right of store owners to charge any price they wished if their store was not a member of a regulated chain.

Mr. Conreaux of the A–G food independent organization told us he was a wholesaler with no control whatever over the prices the A–G stores charged. However, after we questioned him somewhat, he mentioned a price guide service which the A–G organization gives to member stores to guide them in setting their prices.

Mr. ROSENTHAL. If they choose to violate that price guide, they aren't bound by it, are they?

Mr. BAUM. That's what I understand.

Mr. ROSENTHAL. How about the Kroger people, did they tell you they had a book price that every manager was required not to price over?

Mr. BAUM. Yes, sir. The A–G service consisted of employees shopping other competitors' stores for comparable items. The competitors' prices were analyzed and sent to A–G stores for their voluntary use, Mr. Conreaux told us.

At our November 8 meeting with Mr. Conreaux, Mr. Nadler and I asked for a sample of any part of this price guide service but we were not allowed to see any old lists or even examine the blank format for the A–G suggested price service. At our meeting Mr. Conreaux mentioned a weekly price bulletin of wholesale prices, but he refused again to allow us to see even an outdated bulletin.

Mr. ROSENTHAL. At any rate, without going into all that detail, did he acknowledge that he had no control over the prices individual A–G stores sold at?

Mr. BAUM. Yes, he did.

Mr. ROSENTHAL. That's a matter we'll take up with them directly.

What about Kroger, what did they tell you?

Mr. BAUM. Kroger, the meeting with Kroger was the least satisfactory as far as getting information from them was concerned. We met with a Walter White, manager of operations, and Mr. Stern, vice president. We offered our report for their examination, and they could find

nothing wrong with our research approach to their stores. The reason why there was a price difference in the Kroger stores we were told time and time again in the Kroger meeting was that there were errors in store marking personnel in their activities.

Mr. ROSENTHAL. Did you ever ask them the question of why the error always happened in this fashion?

Mr. BAUM. Yes, and they responded they couldn't really understand it, but that in some sense the workers in the stores may be responsible for this, or the supervision in the stores may not be up to par, and in response to that I asked him why his audit team wouldn't be spending extra time in those inner-city stores and there wasn't real substantive response to that question. Near the end of our conversation I asked would there be any instance in shipping one merchandise package from one store to another within Kroger's and this relates to the quality question, and Mr. Stern said in no case was there any shipping from one store to another, but he was immediately corrected by his manager, and there was intershipping between stores——

Mr. ROSENTHAL. Of perishables?

Mr. BAUM. No, he said not of perishables. But the discrepancy between what the vice president told us and the manager of operations was immediately apparent.

Mr. ROSENTHAL. You gave them the list you have made public here today?

Mr. BAUM. That's right, the list and our pricing data results.

Mr. ROSENTHAL. Did they say that you were in error in any way, did they challenge your results?

Mr. BAUM. On the canned ham, on one of the stores we visited, they stated we had not the correct price, and in fact in that store we asked an employee for the correct price of that item because it was not on the shelf, and that was the only case that I recall they challenged our findings. Harry reminded me they said they hadn't carried the item for a month and a half or so.

Mr. ROSENTHAL. Did you see the item in the store?

Mr. BAUM. No, we didn't. We asked the store employee for the price of the item and he gave us the price—canned ham may have been in freezer, we learned.

The book price that you mentioned before is an established highest charge that the Kroger managers are allowed to set for their items. They showed us a listing of the Kroger book price items, and Mr. Nadler noted the existence of a different number of asterisks behind some of the items on the book price list. Mr. Stern and Mr. White used about four different explanations for the markings behind the book price items.

First we were told that they did not know why the marks were there. Then Mr. Stern asked his secretary about the special marks, and she told him they were just typographical errors. The third explanation for the specially marked items on the list was that the secretary chose to use the number of asterisks in an arbitrary way, she just liked to add them in we were told. A fourth explanation was that they marked price changes from previous weeks' book listings. [Laughter.]

Mr. ROSENTHAL. What kind of items were the asterisks next to?

Mr. NADLER. I will answer that. We did not have the book long

enough to check. There were about 8,000 items in there, and I raised the question hoping to get a response from them and I didn't have time to do any checking in terms of what items were checked and what weren't. There appeared to be a list of varying prices.

Since that time we also got a price book from IGA, and they also had markings, different kinds of markings in their prices, this was an old book. Those we did run a sample on to see what kinds of items were checked and what the three different marks represented, if anything. We were not able to figure out what they represented. They were by many different items, and I suspect that it may have been the same for, there may have been varying numbers for Krogers also.

Mr. BAUM. Mr. White of Kroger told us that if we were looking for different price zones, this is not what the asterisks represented.

Mr. ROSENTHAL. Did he deny that they had different price zones?

Mr. BAUM. Yes, within St. Louis. According to Mr. White, there was one price and one quality zone in the Kroger chain.

We were told that the policy of Kroger is for their store managers to check this weekly list of book prices. Mr. Stern stated that it just didn't make sense to him that there would be as many different prices as we found in the different stores. Mr. Stern said that although it might be hard for us to understand, in an operation of Kroger's vast size, it was never possible to get 100 percent perfection in pricing matters, and he reminded us that the established price structure is the same for the entire St. Louis Kroger district.

One of the interesting points in our discussion was about two stores which had the same prices. The two stores, one of which was a newly opened store, and one of which was a well-established store, should have, according to Kroger policy, different prices because of the promotional sales in the newer stores we were told, but Harry and I found that each item had the same price in these two stores and we were told again by Mr. Stern that if the prices were the same, this too would be due to error of store personnel in marking items.

Neither Mr. Stern nor Mr. White attributed the higher prices in the poverty area stores to higher operating costs. Kroger insures their stores against theft, we were told, but Mr. Stern did not even know, direct quote, what the insurance rates were when we were there.

Mr. ROSENTHAL. He didn't tell you they were self-insured?

Mr. BAUM. That's right, they said they were self-insured.

Mr. NADLER. They did.

Mr. BAUM. Again and again they told us that the major reason or the only reason for the food price differences would be due to store personnel marking error. There would be no intentional price differences ever within poverty and nonpoverty area stores.

The other meetings that we had with the representatives of the various chains and organizations can be summarized quickly by saying that in no case were the higher prices in poverty areas allocated totally to higher cost in the poverty areas, because the operating costs are balanced within the chains. The insurance rates are the same, they are covered by a company-written policy——

Mr. ROSENTHAL. Now you are getting into a field that you are really not qualified to discuss.

Mr. BAUM. I can echo their answers to our questions though.

Mr. ROSENTHAL. Is this what they told you?

Mr. BAUM. Yes, sir; everything here that I am reading from my statement is exactly what they told us. They told us that labor costs and insurance would be the same for all stores within a chain with a comparable number of personnel because of the same union structure in St. Louis and because of the chain-administered policy. No chain or organization admitted the existence of different price zones. No representative stated that any food of inferior quality would ever be shipped from one store to another. None of the executives we interviewed admitted that prices on days following issuance of welfare checks would go up.

In summary, then, our meetings with the store executives boiled down to the fact that the differences we found in poverty area prices would be due mainly to errors of the store personnel.

Mr. NADLER. At this time we would like to call up Mrs. Slavin who represents a group of women in Clayton who did an independent survey which we did not know about until after one week of the survey was finished. She has turned the data over to us which we will explain the analysis of when she is finished with her presentation.

Mr. ROSENTHAL. Would you give us your name and address for the record?

STATEMENTS OF MRS. RAYMOND SLAVIN, HOUSEWIFE, AND MRS. JOAN FOSTER DAMES AND DONALD FRANKLIN, REPORTERS FOR THE ST. LOUIS POST-DISPATCH

Mrs. SLAVIN. Mrs. Raymond Slavin, 631 East Polo Drive, Clayton, Mo.

Mr. ROSENTHAL. You made a survey independent of these two gentlemen?

Mrs. SLAVIN. That's correct.

Mr. ROSENTHAL. At the time you made your survey, were you aware of the fact that they had done a similar survey?

Mrs. SLAVIN. Not when we originated our survey. We had discussed in about mid-October the fact that we were paying prices for food here that was documented to be third highest nationally——

Mr. ROSENTHAL. What stimulated you into making this survey?

Mrs. SLAVIN. We had read articles published in the St. Louis Post-Dispatch by Mr. Eugene Bryerton which put St. Louis food prices third highest nationally according to figures made public by the Bureau of Labor Statistics. We couldn't understand this because Boston and San Francisco were the only cities which outranked us, and we felt by virtue of their geographic location and ours it didn't make a great deal of sense that we should be paying this high a price for our food.

Mr. ROSENTHAL. Did you do the survey with any other people?

Mrs. SLAVIN. Yes; we contacted friends of ours who lived in various areas of the community, prepared a list of our own which included approximately 65 food items which we considered more or less basic to our cupboard. We had a brief initial meeting with those who could attend, and we mailed the lists to the other people who were willing to shop and asked them to shop these food items for 3 consecutive weeks beginning on the week of October 23.

Mr. ROSENTHAL. About a month ago.

Mrs. SLAVIN. That's right.

Our study included what has been described here as chainstores, Kroger, National, A. & P., smaller chainstores possibly, Bettendorf's, Schnucks, IGA, and independent markets and a discount foodstore.

Do you want any other information?

Mr. ROSENTHAL. No; just tell us what you found. How many ladies actually did the survey?

Mrs. SLAVIN. We had approximately 25 people who were willing to shop and we only recorded results on 20 stores, six of which were Kroger, four A. & P., three National, two Bettendorf's, two IGA, one Schnucks, one independent store.

Mr. ROSENTHAL. The Kroger stores, were they in any special areas or neighborhoods?

Mrs. SLAVIN. Yes, we did have a distribution. We had a store that is noted by Kroger to be their discount store called Gem, we had a Clayton store, we had a store in the poverty area, at Jefferson and Stoddard; we had a Clayton store on Maryland, a store on Lindell, 4147 Lindell, which has been defined to be in the poverty area; and one in University City, Olive and Purdue.

Mr. ROSENTHAL. Tell us what you found.

Mrs. SLAVIN. Specifically at Kroger stores?

Mr. ROSENTHAL. Well, begin anywhere you want.

Mrs. SLAVIN. All right.

What we did was ask people to send in results of their shopping each week as it was completed.

In the second week of our survey, information was published in the Post-Dispatch of the surveys being conducted by Mrs. Joan Foster Dames of the Post-Dispatch and Mr. Baum and Mr. Nadler of the Human Development Corp. Therefore, we thought that possibly our efforts were being duplicated, considered the possibility of withdrawing, but proceeded with our original goal. We had first set out to comparison-shop items for store and brand names and after the first week we eliminated the store brands because we found that these were usually less expensive than brand names, corrected what errors we could see in our shopping list in terms of brand names, and asked the ladies to proceed. Then we recorded the second-week survey.

In the meantime, the mayor had announced that he was forming a committee to look into the problem of food pricing and that an independent survey would be conducted by the Better Business Bureau. At this point, we were really sure that we were not needed but we went on, and then received the tally of our third week's study.

We had actually considered that this community of concern would be reflected in the third week if not the second week in lower prices across our board. It didn't turn out this way. We saw actually no major change in our results, with the exception of a few stores in the poverty areas which showed a decline, and this decline indicated a decline to the level of pricing that had been consistent in other stores throughout the chain during our 3-week period.

Mr. ROSENTHAL. Can you tell us in summary fashion what your findings were beginning on the first week, second, and third weeks?

Mrs. SLAVIN. Well, in terms of specific price data here, we have items which include produce and meat. We have processed and packaged items, flour, sugar, canned items and some frozen foods, and then some cleaning materials.

Mr. ROSENTHAL. But facts, we want facts.

Mrs. SLAVIN. Facts. OK. You mean actual prices?

Mr. ROSENTHAL. Precisely.

Mrs. SLAVIN. Well, Mr. Nadler has analyzed the results of our survey in terms of the reflection of the poverty area stores in more precise terms. I wouldn't care to make that discussion. We are looking for the housewives in terms of lower prices throughout the St. Louis area. I turned my data over to Mr. Nadler after we had tabulated our own results for our own purposes and they have analyzed them.

Mr. ROSENTHAL. Had you ever known Mr. Nadler before this price meeting?

Mrs. SLAVIN. No. No, I called him somewhere toward the middle of our survey, I called Mr. Baum after reading the article in the newspaper, and at the end of our third week we had a meeting with some of the people who had worked and invited them and members of the Better Business Bureau and the Post-Dispatch if they would like to come. Mr. Baum was able to come as was Mr. Nadler. We gave them the material to analyze it if they wished.

Mr. ROSENTHAL. Can you tell us what the survey showed?

Mr. NADLER. Yes. The reason that we had Mrs. Slavin here was because the data that she presented us was very much in support of what we found.

The chain that we did select from their data that was useful was the Kroger stores. The other stores are not represented today, so we did not deal with them.

(The Slavin survey follows:)

A TOTAL OF 61 FOOD ITEMS SURVEYED EACH WEEK

FIRST WEEK SURVEY (BASED ON 43 ITEMS AVAILABLE IN STORES 3 AND 4)

Store 3 (poverty) market basket, $14.32; store 4 (upper income) market basket, $12.60; 13.6 percent higher price in poverty store.

Twenty items higher priced in poverty store, 46.5 percent.

Eight items lower priced in poverty store, 18.6 percent.

SECOND WEEK SURVEY (BASED ON 42 ITEMS AVAILABLE IN STORES 3A AND 4A)

Store 3a (poverty) market basket, $16.64; store 4a (upper income) market basket, $15.96; 4.2 percent higher priced in poverty store.

Sixteen items higher priced in poverty store, 38.09 percent.

Five items lower priced in poverty store, 11 9 percent.

Item	Kroger store [1]										
	1st week					2d week					
	1	2	3	4	5	1a	2a	3a	4a	5a	6a
Bananas	15	23	16	20	19	10	12	15	12	12	----
Apples	15	13	20	13	----	14	15	20	15	----	15
Onions	12	13	15	13	----	16	13	----	13	20	13
Potatoes	37	49	49	39	----	----	49	39	39	39	39
Carrots	33	20	17	18	20	17	18	18	18	20	20
Lettuce	34	29	29	35	29	33	25	30	30	30	35
Celery	33	33	23	35	35	33	29	25	35	33	33
Catsup	25	25	27	----	----	26	26	26	26	26	26
Mustard	----	17	19	----	21	----	17	19	----	17	----
Mayonaise	----	75	79	74	78	71	78	78	78	78	78
Peanut butter	62	59	----	59	59	----	----	46	46	----	46
Jelly	41	----	----	----	49	41	40	----	40	40	40
Salt	12	12	13	12	13	11	12	13	12	12	12
Rice	58	56	59	56	56	55	56	58	56	56	56
Baby food:											
Fruit	10	10	10	10	9	10	10	10	10	10	10
Meat	26	27	29	29	----	26	27	----	29	27	27
Soup:											
Tomato	12	13	12	13	13	12	13	13	13	13	13
Chicken noodle	13	16	18	16	18	15	16	16	16	16	16
Canned foods:											
Peas	23	25	25	25	25	25	25	----	25	25	25
Corn	23	24	25	24	23	25	23	----	23	24	23
Baked beans	15	15	17	15	19	15	15	----	15	15	15
Peaches	25	23	29	19	33	25	25	----	30	30	30
Spaghetti	26	----	----	25	25	26	----	27	----	27	----
Coffee:											
Ground	151	151	169	151	----	151	151	169	151	151	151
Instant	153	153	----	153	----	153	153	159	153	----	153
Cocoa	33	33	37	43	43	33	33	5	43	33	43
Flour	59	59	59	59	67	59	59	59	59	65	59
Sugar:											
Granular	58	59	62	59	58	58	59	62	59	59	59
Powdered	18	18	20	18	20	18	18	20	18	20	18
Brown	18	18	20	18	20	18	18	20	18	20	18
Cake mix	39	39	39	39	39	39	39	38	39	39	39
Jello	11	11	19	11	12	11	11	13	11	11	11
Tuna	35	35	41	35	35	35	35	35	35	35	35
Canned Milk	17	17	19	17	17	17	17	----	17	17	----
Cookies	49	51	49	51	51	49	41	52	51	53	----
Crackers	25	27	27	----	27	25	27	27	----	21	21
Cereal:											
Oatmeal	27	29	29	29	29	27	29	29	29	29	29
Corn Flakes	31	32	32	----	32	37	32	32	24	32	32
Frosted flakes	47	45	----	38	48	41	48	48	38	40	48
Captain Crunch	47	48	----	----	----	47	48	48	34	40	----
Dog food	16	16	20	----	----	16	16	16	----	----	----
Meat:											
Whole chicken	29	39	39	39	25	39	39	25	39	25	25
Chicken parts	37	45	43	45	45	29	33	33	33	33	33
Ground beef	59	65	65	65	65	49	59	59	65	65	59
Ground chuck	69	79	79	79	79	69	69	69	69	69	69
Chuck roast	85	79	82	79	79	65	69	69	79	79	59
Hot dogs	65	59	69	53	69	65	69	59	59	89	69
Bacon	79	79	89	59	79	59	99	75	59	79	75
Stew meat	79	59	85	----	69	79	89	79	79	79	79
Pork roast	45	----	65	39	50	85	----	65	59	79	59
Pork chops (loin)	79	69	95	----	69	79	75	75	59	75	65
Dairy:											
Eggs (grade A large)	39	40	49	40	45	41	42	43	43	45	43
Butter	83	85	89	85	85	83	85	----	85	79	85
Margarine	----	31	31	----	31	43	44	44	44	44	44
Cottage cheese	33	36	39	----	----	33	----	38	----	36	----
American cheese	67	59	65	----	59	57	59	----	59	----	59
Cheese cream	35	35	37	35	33	35	35	39	35	35	35
Frozen:											
Peas	21	22	29	22	----	23	22	29	22	20	17
Green beans	32	----	27	----	----	20	----	22	----	22	----
Orange juice	17	15	25	15	21	----	21	----	----	21	----
Lemonade	9	15	12	----	19	----	15	10	----	----	----

[1] Locations: Store No. 1, Gem (Kroger); 2, West Roads (upper income); 3, Jefferson and Stoddard (across from Pruitt-Igoe public housing); 4, Maryland (Clayton); 5, 4141 Lindell (poverty); 6, Midland and Olive.

DESCRIPTION OF FOOD ITEMS SURVEYED

Item	Size	Name brand
Produce:		
Bananas	1 lb	Chiquita.
Apples	1 lb	Jonathan.
Onions (white)	1 lb	
Potatoes (red)	5 lb	
Carrotts	Cello bag	
Lettuce (iceberg)	Head	
Celery	Stalk	
Staples:		
Catsup	14 oz	Heniz.
Mustard		French's.
Mayonnaise	Large jar	Hellman's.
Peanut butter	1 lb. 2 oz	Skippy.
Jelly (grape)	20 oz	Welch's.
Salt	1 lb. 10 oz	Morton.
Rice	1 lb. 12 oz	Uncle Ben.
Baby food:		
Fruit	Small	Gerber.
Meat		Do.
Soup:		
Tomato	Regular	Campbells.
Chicken noodle		Do.
Canned:		
Peas	15½ oz., No. 303	Del Monte.
Corn	15½ oz	Do.
Baked beans	1 lb	Van Camps.
Peaches	1 lb	Del Monte.
Spaghetti	10-oz	Franco-American.
Coffee:		
Ground	2-lb	Maxwell House.
Instant	10-oz	Do.
Cocoa	Regular	Nestle's.
Flour	5-lb	Pillsbury.
Sugar:		
Granulated	do	C. & H.
Powdered	1-lb	Do.
Brown	do	Do.
Cake mix (chocolate)		Pillsbury.
Jello	Small	Jello.
Tuna	6½-oz	Starkist.
Canned milk	12-fluid-oz	Pet.
Cookies	3 rows	Oreo.
Crackers	Small	Saltine.
Cereal:		
Oatmeal	Regular	Quaker.
Corn flakes	Medium-size	Kellogg's.
Frosted flakes	do	Do.
Captain crunch	do	Quaker.
Dog food	Small	Ken-L Ration.
Meat:		
Chicken:		
Whole	Per pound	
Cut up	do	
Ground beef	do	
Ground chuck	do	
Chuck roast	do	
Franks (per package)	Package	Mayrose.
Bacon	Per pound	Krey.
Stew meat	do	
Pork:		
Roast	do	
Chops (loin)	do	
Dairy:		
Eggs (grade A large)	Dozen	
Butter	1 lb	Land o'Lakes.
Margarine, sticks	1 lb	Fleishmans.
Cottage cheese	Small	Devely.
Cheese:		
American	12 oz./16 slices	Kraft.
Cream	8 oz	Philadelphia.
Frozen:		
Peas	Small box	Birdseye.
Beans (green)	do	Do.
Juice:		
Orange	Small can	Do.
Lemonade	do	Realemon.
Miscellaneous:		
Toilet tissue	2 rolls	Northern.
Detergent:		
Dishes	Giant (6 fluid ounces)	Joy.
Laundry	3 lb. 2 oz	Tide.
Paper napkins	200	Hudson.
Cleansing powder	Medium	Ajax.

Mr. NADLER. The Kroger store, however, the story goes the same as what you heard a little while ago. The Jefferson-Stoddard store that Mrs. Slavin was talking about is the Pruitt-Igoe store, 4141 Lindell is also a poverty area in St. Louis, while Lindell itself is not a poverty area street, the area surrounding it and the people who shop there do live in the poverty areas.

For the first week, as she explained, there were 3 weeks that the survey was done; the first week the totals go something like this. Out of 61 items, 48 had different prices, which would——

Mr. ROSENTHAL. These were the same items in the same chain store?

Mr. NADLER. These are the same items, yes, in the same chain stores. These are not the items that we sampled, these are the list that she has drawn up, but they are controlled for brands and quantities and they are national brands.

Mrs. SLAVIN. That's right.

Mr. NADLER. In fact, we have adopted their list with a couple of modifications for future surveys because it is much more extensive.

At any rate, out of 61 items, 48 had different prices, which would indicate that this may not be due to human error.

Mr. ROSENTHAL. This is all within the Kroger chain?

Mr. NADLER. Yes, this is within four different Kroger stores, 61 items, 48 of them had different prices, of which 44 were higher priced in poverty area stores, one or more poverty area stores.

The second week, of the same 61 items again, 44 items had different prices, 39 of these 44 had the highest price in the poverty area.

The third week which came out roughly 3 days after the articles appeared in the Post-Dispatch, the two articles, the Post-Dispatch article and the Human Development Corporation article, only 28 items varied, of which 23 were higher priced in the poverty area.

The items did vary in some systematic way which would indicate again that this was not due to human error. There in some cases would be as many as four different prices for the same item. Now, I fail to see how this, you know, could happen, but items such as chicken noodle soup, in the two poverty area stores——

Mr. ROSENTHAL. What brand?

Mr. NADLER. Campbell's. The two poverty area stores the price was 18 cents and in the two non-poverty-area stores the price was 16 cents.

For powdered sugar, C & H powdered sugar, the price in the two poverty area stores was 20 cents, in non-poverty-area stores, 18 cents.

Brown sugar, the same brand 20 cents in the two poverty area stores and 18 cents in the two non-poverty-area stores.

This is the kind of story that this six pages of data reflects for the 3 different weeks. We could go on doing the same kind of thing we did with the data that we had and you would see the same story.

There is something else that their survey revealed, and that is the store Gem which is supposed——

Mr. ROSENTHAL. Did you have any percentage differential in each week's survey between the poverty area store and the non-poverty-area store?

Mr. NADLER. We have percentages for individual stores which is a chart that I believe you have up there. For the 48 items varying in price, and the 44 items in the poverty area, 27 varied over 10 percent. Of these 27, 18 were over 20 percent, 30 were over 12 percent, 12 were

over 30 percent, eight items were different in price by 40 percent, seven by 50 percent, four by 60 percent and two were over 70 percent higher.

Mr. ROSENTHAL. Mrs. Slavin, let me ask you a question. Of the 61 items, did you ever find a case where the price in the poverty area stores was cheaper than the other store?

Mrs. SLAVIN. I believe there was.

Mr. NADLER. The first week had four items, the second week had five, the third week had five. They weren't lower than any non-poverty-area store but they were as low.

Mr. ROSENTHAL. The same?

Mr. NADLER. Yes.

Mr. ROSENTHAL. Then you didn't answer my question. Did you ever find a case where the poverty area store had the same brand item cheaper than in one of the outlying stores?

Mr. NADLER. No, I don't believe so. As low, but never lower. I would have to recheck for that, but there were only five items that were as low.

Mr. ROSENTHAL. How about bananas on the first week. Is that cheaper in store No. 3?

Mr. NADLER. Store No. 1 had 15 cents, store No. 3 had 16 cents.

Mr. ROSENTHAL. Store No. 1 is which one?

Mr. NADLER. Gem.

Mr. ROSENTHAL. Did you at all—take into consideration the question of quality?

Mrs. SLAVIN. No, we did not shop quality.

Mr. ROSENTHAL. Do you have any observation at all?

Mrs. SLAVIN. We asked people to note quality if they so desired but we were principally interested from the standpoint of the survey on stamps, games and specially priced items. We asked everybody to shop top quality items whenever possible.

Mr. ROSENTHAL. Mr. Nadler, do you know whether or not any of these stores involved here are food stamp recipients?

Mr. NADLER. I believe the two intercity stores are. I know that the Pruitt-Igoe store is. I'm not sure about the other one but I believe they do.

Now, the Gem store is particularly interesting also from this data.

Gem is claimed to be a discount store, their advertising which I believe you have received a copy of states that there is a 7 percent savings on your total food bill. This 7 percent savings, this sign that says 7 percent appears throughout the store in several places as well. They go on further in the ads to explain what that 7 percent savings means in terms of total dollars and cents.

This is the findings from this exact same list of 61 items from the first week.

Gem was missing three of the 61 items, so only 58 items appeared in the first week. Of these, 17 items were higher priced in Gem than in any outlying Kroger stores, 17 were lower in Gem than other Kroger stores, and the rest were the same price as other Kroger stores.

In terms of totals, of the 58 items checked that we had corresponding prices for, the total price for Gem was $23.25, and the total price for the lowest Kroger store in the county was $22.83, or a savings if you don't shop at Gem of 42 cents.

The same kind of thing appears for the second and third week. The second week we didn't run totals on them because we didn't have

enough time to get into that, the second week 56 items were compared, 21 were higher priced at Gem, 20 were lower priced, and the third week after the Post-Dispatch articles, 55 items checked, 16 were higher and 21 were lower.

We have serious question as to whether or not indeed there is a 7 percent savings at Gem stores. This is the findings of the study done by the women in Clayton.

Mr. ROSENTHAL. Is there anything else that you wanted to tell us? Mr. Copenhaver has some questions.

Mr. COPENHAVER. I have two or three short questions, Mr. Nadler. You mentioned that your survey was between October 19 and 21, and on your chart it shows the survey conducted on October 19 and 20.

Mr. NADLER. Which chart is that? Is that the one showing the totals?

Mr. COPENHAVER. Yes, the first, second, third weeks.

Mr. NADLER. What chain is that?

Mr. COPENHAVER. All chains are shown to have been surveyed on October 20.

Mr. NADLER. See, what we did is all Kroger stores were shopped in a 24-hour period, all Nationals within a 24-hour period, all A–G within a 24-hour period. The 24-hour period was not the same for each chain though.

Mr. COPENHAVER. But your charts all show the same date.

Mr. NADLER. You may have the original mimeographed copy.

Mr. COPENHAVER. The reason I ask you this question is did you in talking to the managers of the various stores seek to determine whether during the 24-hour period that you were surveying, a time period interceded in which it was the normal policy for the store to change prices? For example, in testimony we have heard earlier, we have been told that Saturday is a normal day for changing prices or a Wednesday.

Mr. NADLER. Well, we checked with Krogers and Krogers operates on a weekly period. Their prices go into effect on Monday, their week starts on Monday.

Mr. COPENHAVER. Therefore, if I am correct, this survey was done on a Thursday, Friday, and Saturday?

Mr. NADLER. Right.

Mr. COPENHAVER. Therefore, there would be no possible conflict because of a price change interceding?

Mr. NADLER. There should be none, unless they send out, you know, lists during the week or something.

Mr. BAUM. Not only were we told in our meetings with Kroger that their prices, book prices for that week were set on Friday to go into effect Monday morning, but we did not receive any comment whatever on our results which they had regarding the sales.

Mr. NADLER. They should have known what their prices were for those particular days and they did not question the results that we had. They were shown to them.

Mr. COPENHAVER. In this regard, the price change being on a Friday, did you notice any significant variation in the actual marking of products between a store in a poorer neighborhood and a store in a more affluent neighborhood? For example, did you find more multiple markings in a store in a poorer neighborhood as opposed to a store in a more middleclass neighborhood?

Mr. NADLER. We found contrary evidence in not only the poverty stores but all stores. There would be mismarkings, multiple markings,

two different displays of the same item with two different prices, generally the higher priced one in the closer part of the store as you walk in with the bigger savings in the back of the store hidden someplace, this kind of thing was existent in poverty areas as well as nonpoverty.

Mr. COPENHAVER. And you found no pattern there between the two types of stores?

Mr. NADLER. We did find on a couple of items that we did know to be a sale item, which was even claimed by the store personnel, particularly the Hi-C orange drink which was selling for three for 89 in the poverty area stores and was so marked three for 89; in the nonpoverty-area stores they were marked 32 cents each.

Mr. COPENHAVER. You see, my line of questioning is that Kroger apparently indicated to you that if there were errors it was due to human error and the question could be, well, could there be more human error in, say, a poverty store which failed to remove an old price and stamp the new price correctly?

Mr. NADLER. Well, you would expect with human error that half the prices would be higher and half would be lower.

Mr. COPENHAVER. That's the question. In addition to this, when you went into a store in either area and you found a multiple marking or a multiple pricing, did you find cases where you were charged the higher price and if so——

Mr. NADLER. We didn't buy these items. We priced them. Now, we took these items, in some cases where we did find mismarkings, to the personnel in the store, and we would get several answers for this error, such as, it is on sale when really it wasn't on sale, that the price had changed that day and they didn't change the whole display, that they changed only part of it, or that the prices on the shelves were in the wrong place, that they belonged down the aisle with another item.

Mr. COPENHAVER. Did you go to the manager or the checkout person to inquire of the price?

Mr. NADLER. In one case we did take it to the checkout person and she charged us the price on the item which was higher and we told her we didn't want the item but we took it to the manager and he said that she should have known that the price had dropped, and this was like 8 o'clock at night, and I assume she had been there a few hours and several of these items may have gone out already.

Mr. ROSENTHAL. Mr. Nadler, did anyone ask you not to testify here today?

Mr. NADLER. No.

Mr. ROSENTHAL. Did anyone make any suggestions to you?

Mr. NADLER. No.

Mr. COPENHAVER. The final question I have, Mr. Chairman, is did you find any incidents of increased prices at times that welfare checks were issued?

Mr. NADLER. We didn't survey on the days that the welfare checks went out.

Mr. COPENHAVER. That's all.

Mr. ROSENTHAL. What were the findings?

Mr. NADLER. I said we didn't survey.

Mr. ROSENTHAL. Thank you very, very much.

(Complete text of the HDC statement follows:)

PREPARED STATEMENT OF EUGENE L. BAUM

I feel the results from our food-price surveys indicate a substantial difference in prices for individual items and for market-basket lists of food. These differences tell me that food companies need to become more aware of their responsibility in helping to solve inner city problems. These price differences require an increased level of intensive self-examination among the various St. Louis food retailing organizations.

Mr. Nadler and I held our round of talks with store representatives of Associated Grocers, Kroger, Independent Grocers Alliance, National Tea Co., and The Great Atlantic & Pacific Tea Co. from November 8, 1967, to November 21, 1967. We were received with widely varying degrees of cooperation and willingness to sincerely discuss our findings. We asked each of the representatives for reasons justifying the differences in prices between poverty- and non-poverty-area stores. For the most part, price differences were attributed by the personnel interviewed to error of the store employees in marking food, or in the case of independents the individual right of store owners to charge any price they wished as members of a nonregulated organization.

Mr. Conreaux of the AG independent food organization, told us he was a powerless wholesaler with no control whatever over the prices the AG stores charged. However, after questioning, he mentioned a "price guide service" which the AG gives to member stores to guide them in setting prices. This service consists of AG employees shopping other competitor's stores for comparable items. The competitors' prices are analyzed and sent to AG stores for voluntary use. At our November 8 meeting with Mr. Conreaux, Mr. Nadler and I asked for a sample of any part of the "price guide service" but we were not allowed to see any old lists or even examine the blank format for the AG supported price service. At our meeting, Mr. Conreaux mentioned a weekly price bulletin of wholesale prices but refused to allow us to see even an outdated bulletin. The price difference of 15 percent between the lower prices at the Loop market in University City and the higher prices in the Kinloch AG store, for our standard list of items, was explained as mainly due to differences in volume of sales. Mr. Conreaux saw himself as an innocent wholesaler with no recourse to help the situation in any way.

In a November 16 discussion with Mr. Clinton Poertner of IGA, Mr. Nadler and I were told that the differences in prices listed on our forms were either our errors or errors in store personnel marking items. He stated that some differences were due to slightly different operating costs of the independent stores. Since stores were individually owned (as was the case with AG), he stated he had no price control and "could not tell them to charge certain prices." However, (again, as was the case with AG), there is in standard IGA marketing practices, a device known as a "suggested price" which is the mechanism for the recommendation of prices to IGA stores. Reluctantly, we received a copy of a year-and-a-half-old list of suggested prices for each item in IGA stores.

We asked Mr. Poertner why we found prices on many items higher in poverty-area stores, and he initially ascribed all differences to store personnel marking errors. He said that store owners were "on their honor" not to charge above the IGA-suggested prices. Later in our discussion, Mr. Poertner remarked that some operating costs were higher in poverty areas but he could not give us even an estimate of how much higher they might be. He stated he did not know if insurance rates were higher in poverty areas and he also stated he did not know percentages of theft of various stores. He said that as far as he knew "insurance rates and pilferage rates in the Euclid and Delmar IGA store were no problem as far as insurance coverage was concerned." Mr. Poertner doubted that any IGA-suggested prices. Later in our discussion, Mr. Poertner remarked that some that each store was left alone to set prices. His general response was that "higher prices in poverty-area stores were justified in the face of higher operating costs" but he did not know what operating costs would be specifically higher in the poverty-area store we surveyed. He also defended the higher prices we found by saying they were the result of our and store error, but he did not repeat the charge that we had faulty data when we told him we personally had done the survey. When we asked him for even a general picture for whatever he called higher operating costs in poverty areas, he "could not offer even a guess."

On November 21, Mr. Mark Harrington, a research analyst from HDC, and I discussed the findings of our survey with A. & P. personnel. Mr. Engstrom, the sales manager, stated that A. & P. stores are all covered by one pricing district, that prices are never higher because of issuance of welfare checks, and that there

is absolutely no intershipping of older or less quality food from one store to another. However, he stated that the quality of foods found in A. & P. stores could vary because of the marketing skill and public concern and general qualifications of the store manager. A. & P. does not set limits as to how long a store manager may offer perishable goods for sale. A. & P., we were told, has little or no food quality audit. Mr. Engstrom could see no real difference in the operating costs of inner city and outlying area stores because labor costs are covered by the same unions, insurance costs are the same because of a chain-sponsored coverage plan, and efficiency of city stores was improved by remodeling programs. I asked Mr. Engstrom if there would be any possibility at all of establishing a special poverty-area-store person to check prices and quality. He stated he had "no feeling at all on this question." I asked him why the average prices for nationally advertised brands are higher in the A. & P. stores when placed in competition with A. & P. company brands. He "did not know what to tell us about this situation."

Mr. Nadler and I met with Mr. O'Neill of the National food chain on the morning of November 21. We were told that National operates a one-price and one-quality district for 33 stores in the metropolitan area, of which 10 or 12 are in the city. National store maximum prices are set each Friday morning to be effective the following Monday in all stores. The compliance is audited by a special team of National personnel. According to Mr. O'Neill, there is absolutely no movement of food from one National store to another, there are never higher prices on days following issuance of welfare checks and all lower quality food is thrown away and never sent to any other store for resale. Mr. O'Neill noted that operating costs would be about the same in poverty-area stores and county stores. Labor costs may be higher because people buy in smaller quantities in the city, but this would be balanced by higher maintainence of parking lots in the county. Overall, there would not be "notably higher operating cost problems" due to insurance rates for pilferage and damage because National stores are self-insured. In our discussion with Mr. O'Neill, it became clear to me that National more than any other chain seemed interested in hiring a full-time, poverty-area self-checker for quality and prices of food. In addition, a program of consumer education is of interest to them.

Our discussion with Kroger personnel were the least satisfactory or informative to me. On November 9, Mr. Walter White, manager of operations, and Mr. C. B. Stern, vice president of Kroger, met with Mr. Nadler and me. As in the cases of all HDC store personnel discussions, we offered our full report to them for their full examination. Mr. Stern began the talk by telling us that "Kroger had nothing to hide." He emphasized that "products are definitely not selected when of inferior quality to go specifically to poverty-area stores. The 16 Kroger stores in the city, according to Mr. Stern, are all in one price district. St. Louis is covered by one district manager. Kroger sets, he told us, the highest prices the stores may ask. Mr. Stern stated that "there was absolutely no shipping of merchandise from county areas to city areas," but Mr. White, his manager of operations, corrected him by saying, "In some cases there are times stores overbuy and then the items are transferred to another store."

The pricing practices of Krogers' stores were confusing to me. The produce merchandising department of Kroger uses surveys of competitors' stores, analysis of advertisements, and personal judgment to arrive at Krogers' book price. This "book price" is the highest charge the stores may levy but the stores may lower their prices as they see fit.

At this point in our conversation, Mr. Stern showed us a listing of Kroger book prices for items. Mr. Nadler noted the existence of a different number of asterisks on some of the items on the "book-price list." Mr. Stern and Mr. White used four different explanations for the markings by some of the book-price items: first, we were told that they did not know why the marks were there, then Mr. Stern asked his secretary about the special marks and she told him they were just typographical errors. The third explanation for the specially marked items on the list was that the secretary chose to use the number of asterisks in an arbitrary way, they actually told us that "she just liked to add them in." A fourth explanation, offered was that these marks noted price changes from other book-price lists. A final comment which came from Mr. White was that, "if you are looking for different price zones, that is not what these different numbers of asterisks represent."

We were told that the policy of Kroger is for store managers to check this weekly list of book prices. Mr. Stern stated that it "just didn't make sense to him that there would be as many different prices as we found in the different stores." He

continued by saying "although it might be hard for you to understand, in an operation of our vast size, it is never possible to get 100-percent perfection in pricing matters." However, he reminded us that the established price structure is the same for the entire St. Louis Kroger district. He specified two stores on our list, one of which had just opened for business and the other well established, which should have had different prices because of the new sales promotions for lower prices in the new store. However, Mr. Nadler and I found identical prices on each item in the two stores. Mr. Stern stated, if the prices were the same, this too would be due to error of store personnel in marking items. Mr. Stern attributed all differences in prices of items we found to store marking error of Kroger personnel.

Neither Mr. Stern nor Mr. White attributed the higher prices in the poverty-area stores to higher operating costs. In fact of practice, Kroger insures their stores against theft, and Mr. Stern "did not even know" what the insurance rates were. Again and again, the Kroger personnel told us that the major reason for food price differences within the chain was due to store personnel marking error. Mr. Stern stated there were no intentional price differences between poverty and non-poverty-area stores in the Kroger chain.

A summary of our discussions with food chain and organization personnel indicated to us that first, operating costs do not vary widely enough in the case of chains to account for price differences. Second, we were told that labor costs and insurance rates would be the same for all stores within a chain. Third, no chain or food retailing organization representative admitted the existence of different prize zones between poverty and nonpoverty areas. Fourth, no representative stated that any food of inferior quality is ever shipped from county to city stores. Fifth, all retail food organizations and chains suggest maximum prices to members with chains enforcing these maximum prices. Sixth, prices in stores are supposedly never higher on days following issuance of welfare checks. Finally, we were consistently told that most if not all differences in food prices are due to error of store personnel in marking the items to be sold.

Personal comments.—Related to findings of other surveys, FTC statements, etc:

I believe our research and that of other independent groups shows that retail food chains and independent organizations must help solve social and economic problems encountered by the poorer residents of the inner city instead of adding to those difficulties. In place of merely making monetary profit from the inner city area, retail businesses and specifically food retailers must answer the challenge of entering into efforts to upgrade the lives of inner city residents.

Increasingly, food retailing organizations are becoming targets for a national expression of discontent. But in the presence of criticism and the threat of food buying cooperatives organized by resident groups, the major food concerns should realistically plan to meet the challenge of both increased consumer awareness and the growing needs of the inner city. Long ago American business recognized that its interests and those of the community which it serves are in the long run identical. Food companies and all inner city retailing organizations prosper in direct relation to the social and economic advancement of the people who work in the stores and who purchase its goods.

Commissioner Mary Jones of the Federal Trade Commission has stated that major food organizations can respond to inner city problems in ways that will mutually benefit themselves and the community. Large food retailers must, however, be prepared to identify themselves with the inner city and make meaningful contributions to area needs. The specific ways which food retailers can help further the future of the inner city residents are many.

First, and by far, most importantly, major food organizations and chains can respond to inner city problems by offering ghetto residents the same products at comparable prices to those good available in the more affluent communities. More than anything else, I believe from the results of the survey, that residents of the city should be entitled to equal prices for equal food.

A second contribution food companies can make in the city concerns job opportunities. The very presence of the supermarket in the inner city has and should increasingly mean more job opportunities for ghetto residents. The more employees particularly on the managerial level which the food organization hires from the local community, the more potential they will have for being regarded by the community as an integral part of the area rather than as a profitmaking outside interest.

Third, there is a great need for food retailers to sponsor consumer education programs. Educational efforts should be guided toward easily read labels telling

amount of food inside cans and packages, learning about value and quality in various products, healthful ways of cooking low cost foods, and in general, to lead people to regard the retail food store not merely as a place to purchase less food of lower quality for higher prices but as a place where they can come for information and assistance in consumer matters.

A fourth area which stores could use to enlist community support is to adequately publicize a lowering of prices on essential items on days following issuance of welfare checks by offering meaningful food specials. Sales volume would increase and residents would effect substantial savings.

Other possible projects stores might sponsor include, the establishment of community bulletin boards for free use of residents, maintenance of babysitting services for shopping mothers, and special training programs for potential employees.

Implementation of some of the above projects, along with equal prices for equal food would profit both the retailers and the community and produce a stronger more stable inner city community and economic life.

Mrs. ROSENTHAL. Our next witnesses will be Mrs. Joan Dames and Mr. Donald Franklin.

STATEMENT OF MRS. JOAN FOSTER DAMES, REPORTER, ST. LOUIS POST-DISPATCH

Mrs. DAMES. I'll start if that's all right.

I think we have given you a copy of the article we carried in the Post-Dispatch on October 30. There is one error in that which is my fault. In the opening paragraph it says, "At one supermarket the center cut pork chops were priced at 79 cents a pound just as advertised but at four other stores," now that should read "three other stores in the same chain." That's an error.

We carried a story on the small survey that Don Franklin and I made of prices in the poor intercity areas compared to the prices in the suburbs. This was in response to complaints from individuals, antipoverty and other groups, that food prices in the poorer inner-city neighborhoods were higher than the prices for the same items in the——

Mr. ROSENTHAL. What date did you do this, October 13, Friday the 13th?

Mr. BARASH. Could you speak up just a little?

Mrs. DAMES. We drew up a list of 14 items, half staple and the other half were accommodations or produce, meats, and dairy. One item, baby foods, we subsequently dropped, because since a baby required a well-balanced diet, too, we felt we had not chosen enough items to represent this and therefore dropped it. So of the 13 items, a background of the shopping expedition was this. The same store chains were shopped on the same day for the same food list. We used identical brands and quantities. The difference in the staple items was noted, and in meat, dairy, and produce where quality is a factor in the dollar buy, samples were purchased and brought back to the newspaper for inspection. We shopped four stores in one chain on the first expedition, I did this myself, Don Franklin did the other chain. When I analyzed the notes, five of the 13 items were priced higher at the inner-city store, five of the items from the intercity store were of lower quality. Later examining what we had done, I think we should have added a third thing. We should have added choice to things we were considering, because in many cases on a staple item, such as flour or sugar, an all-purpose item like that, it doesn't really matter what brand you buy, you are really shopping for price.

Mr. ROSENTHAL. Could you describe to us briefly what you mean by poorer quality?

Mrs. DAMES. Well, this was in the produce and meats. For example, we had bananas, green peppers, lettuce, hamburger, and pork chops, and this was pretty startling, because besides—now, bananas were both priced higher and of lower quality. Grade 1 at the inner-city store was 21 cents a pound, this is the better grade, and it was 20 cents a pound or 2 pounds for 39 cents at the suburban store. Now, the difference in the quality was that the suburban bananas were much better, they were just much better bananas.

In grade 2, two for 39 cents at the inner-city store were quite old. A banana has a limited shelf life and you would have to use these things right away and even so they were beyond that peak of freshness, I think they say flecked with brown. Well, these had gotten pretty brown and bad and bruised, they were not good bananas. I don't think most housewives would buy them, so this was two for 39 cents. Grade 2 were 15 cents a pound——

Mr. ROSENTHAL. Did you tell us what stores these were?

Mrs. DAMES. This particular chain was the National store, 4231 Natural Bridge, serving a low-income area, 630 North McKnight, a suburban store were the two we compared. There were so many things we decided just to compare these two and stick to two stores that we actually surveyed.

On the lettuce many of the lettuces in the inner-city store were old and wilted and some of them had wedges cut off of the heads and were rewrapped after having a wedge cut out. You could see the rotten portion had been removed. In addition to this, on many of these heads of lettuce, the price sticker of 33 cents had been placed over the old price sticker of 29 cents, which was the price perfect heads of lettuce were selling for in the suburban store.

On green peppers, now this was something I don't understand, I can't figure it out, I can give no explanation for it since the chainstore officer said it can't happen. Each pepper was individually stamped in the inner-city store. Prices were either 15 cents or 19 cents. Many of them were wormy, they had gone past their point of freshness, the skin begins to get soft and not firm any more, and they were obviously older. Some were gashed, they had been dropped or gashed and had gashes and indentation in them, the skin was broken, and they were of different sizes. Some were quite small, some were quite large, some were—there were some good within this batch, but they were all different size, and I would assume were different grades.

In the suburban store, they were all perfect, they were even nearly uniform in size, as uniform as you can expect any product which grows to be, but there was such a startling difference, and they were sold at 15 cents apiece, which is lower, of course—it would be the same price that the worst peppers were available at the inner-city store but lower than the best peppers which were, as I said, all individually marked.

Now, of course, subsequently I spoke to the chain manager and he said this was his best produce man at the Natural Bridge store. But then when get to the meat, the hamburger, hamburger is ground at each store individually by the butcher. One of the things you can tell about hamburger is how much fat is showing. There are certain limits.

The city, I think, puts 30 percent on the outer limits of fat to lean, yet the individual stores have their own self-limiting policy. At National store I believe it is 20-percent fat to 80-percent lean. At Kroger this is the same and at A. & P. I think they have 10-percent fat to 90-percent lean. So we saw much fat showing, and the color of the meat was not fresh and red as you would look for when you were buying hamburger.

At the suburban store, at 630 North McKnight, they had an excellent grade of ground beef for the same price.

The pork chops, good chops I am told by our food authority are looked for leanness today, so when you buy pork chops this is one of the things you look for in quality. The pork chops in the inner-city store were very fatty and did not have as much proportion, as big a proportion of lean meat as was available at the store at 630 North McKnight, and yet the price was 10 cents higher a pound, which surprised us.

I am off the little thing I had prepared, so I'm rattled.

We noted—well, what it works down to is that five of them were higher priced, five of them were of lower quality, and since there was an overlap there, seven out of the 13 items, then, were a poorer buy or a better buy in the suburbs, depending on how you look at it. Only two items, canned early June peas and Campbells chicken noodle soup were treated absolutely identically.

There was another thing that we found, eggs in the inner-city store were priced the same as in the suburban store, but in the poor shopping area there were two additional grades of eggs being offered of superquality. One was a superjumbo egg and the man said they had double yolks. Well, I suppose this would be a good buy in the amount of egg you are actually buying for your money, but I don't think any sensible housewife would buy this since all recipes would have to be altered. I thought it was a questionable thing to offer in an area where people are poor, so it worked out in inner-city we had nine items of higher cost, poorer quality, or limited choice, if you would include flour and sugar. One questionable thing, this egg buy, I didn't know how to rate. Peas and soup were the same at the inner-city store as at the suburban store, and one item, corn flakes, was a better buy. You could get that for a penny cheaper at the inner-city store than you could at the suburban store.

Mr. ROSENTHAL. You are talking about National now?

Mrs. DAMES. This is National; yes, right.

If you look at it the other way, though, at the suburban store there was only one item of higher price, the corn flakes. They had no questionable egg buy, I didn't know how to rate that, but it was a buy not offered, and the same buys were available on peas, soup, and eggs as at the inner-city store. The better buys totaled nine.

In addition to these things, we noted that many of the canned goods were unmarked. To find the price, you had to ask store personnel. Several canned goods were on special but still bore prespecial price. When I asked the clerk, she gave the special price.

Mr. ROSENTHAL. Did you buy these goods?

Mrs. DAMES. No. I purchased only the fresh produce and the meats.

Quite commonly in the city store was the selling of damaged canned goods at the regular price. In several instances, cases of goods were

stacked at the end of the aisle, the place normally used to display sale goods. However, although dented canned goods were placed there, leaving me, and I think any other homemaker, to assume that they were sale items. The clerk showed that these dented goods were not being sold on sale, this was the regular price.

Damaged produce was sold at the same or even a higher price.

Mr. BARASH. Mrs. Dames, you said that the dented cans were stacked at the end of the aisles; the assumption that you made was that these were sale items?

Mrs. DAMES. Yes.

Mr. BARASH. Were the same identical items in undented cans available elsewhere in the store.

Mrs. DAMES. Yes.

Mr. BARASH. So that they had segregated the dented from the undented cans?

Mrs. DAMES. Yes.

Mr. BARASH. But you don't have an explanation as to why?

Mrs. DAMES. No; nor did they give me any explanation when I asked about this. They said they didn't know how that could happen and they again talked about human error.

Well, Don Franklin surveyed inner-city and suburban stores of another chain on the following Friday, October 20, and we surveyed it on Monday. At this time we were approaching it from a little different emphasis and I think he will tell you about that, but when he brought back the shopping samples we noted again that the hamburger and pork chops appeared to be of inferior quality to those which were purchased at the suburban store. This was the Kroger chain, and what are those addresses?

Mr. FRANKLIN. One in the Pruitt-Igoe housing development and the other was in Clayton out on Maryland Avenue, 8100 Maryland.

Mrs. DAMES. We took those, after our food editor, Dorothy Brainerd, said these were of lower grade and the hamburger having much higher proportion of fat, we sent them to Dr. Val Johnson of the City of St. Louis Public Health Laboratories to be analyzed. Samples were marked "A," "B," "C," and "D." He had no way of knowing what store they came from and we put these results in the story.

Mr. ROSENTHAL. Briefly, can you tell us what those results were so our record is complete?

Mrs. DAMES. Yes. The hamburger from the inner-city store was 26.5 percent fat, which is well over the self-imposed ceiling that Kroger has of 20 percent fat, but within the 30 percent limit set by city ordinance.

The hamburger bought outside of the slums was found to contain only 18.5 percent fat.

The pork chops purchased from Clayton contained 15.5 percent fat and 16.5 percent bone, a total of 32 percent waste. Chops bought the same day at the same store, at the low-income area store contained 29.5 percent fat, 13.4 percent bone, or 42.9 percent waste. In addition to that Dr. Johnson said this was definitely an inferior cut of meat as Dorothy Brainerd had said.

The store personnel were questioned about this, the divisional manager, I believe he is called. He said that all meats were sent from a warehouse and there was no way of discriminating.

We talked to Robert Miller of the customer relations department, as the division manager was out of town. At the Kroger chain we talked to the advertising manager, Eugene Fanger, because the divisional vice president was out of town, and at National Food Stores, Division Manager Robert O'Neal was in town and we spoke with him. All three chain spokesmen denied that there was any discriminatory policy followed. All three claimed that their chains followed the practice of using a uniform price list within a given warehousing area. They said there were no price zones used. Prices cannot be above their uniform price list, but they may be reduced at the discretion——

Mr. ROSENTHAL. This is what they all said?

Mrs. DAMES. Yes; at the discretion of the store manager to move perishable goods and in order to meet competition. These were the only two reasons that they could be reduced, but there were no competing chains in the inner-city stores nearby, so there was really nothing for them to compete with.

Mr. ROSENTHAL. Continue.

Mrs. DAMES. All three spokesmen claimed that their chain policy was to cut prices on dented cans and discount distressed produce or throw it out, but this was not what we found in the store. The three chain spokesmen were asked if the higher cost of food in the inner city could be caused by higher operating costs, greater insurance, more theft. Each spokesman said that to their knowledge prices in the inner-city stores were the same as in suburban stores, and when we mentioned that we had not found this to be so, they thought human error would be the only reason. Chain officers said no discriminatory policies were intended and although our survey was quite small it was honestly made and it does suggest to us that the inner-city shopper got considerably less for his shopping dollar, seven of 13 items, and that's conservative because we could have taken nine out of 13.

If you would like to know more about what Don Franklin saw in the Kroger chain.

Mr. ROSENTHAL. Yes, I would. Thank you.

STATEMENT OF DONALD FRANKLIN, REPORTER, ST. LOUIS POST-DISPATCH

Mr. FRANKLIN. I surveyed two stores, Kroger stores on two different occasions. The first occasion was the Friday of the 20th of October of this year and the second occasion was Monday the 23d and again I went to the Kroger stores, one in the inner city and the other in Clayton.

Mr. ROSENTHAL. Identify the address for us.

Mr. FRANKLIN. The inner-city store is right near Pruitt-Igoe housing development, the address is 2625 Stoddard Avenue. The Clayton store is at 8104 Maryland in Clayton, Mo., a suburb of St. Louis, of course.

I used the same list developed by the Post-Dispatch and Mrs. Dames, and I found that there was some difference in prices, however the main differences that I found occurred in the quality of food rather than in the price. I suppose mainly that is because of the limited amount of items on the list.

Now, some of the differences in price I will indicate right now. On Friday, the 20th of October, I found that bananas at the Clayton store sold at 2 pounds for 29 cents, at the inner-city store, the same 2 pounds sold for 39 cents, a 10-cent difference in price.

Mr. ROSENTHAL. The same quality, same No. 1 or whatever it is?

Mr. FRANKLIN. Right, top quality at both stores. There was only one quality of bananas at the two stores.

Peas sold for 22 cents a can at the Clayton suburban store, or three cans for 65 cents. In the inner-city store the one can of peas sold for 25 cents or 3 cents more, which indicated a significant price difference in the peas.

Mr. ROSENTHAL. Would you break for just a moment.

We are delighted to have my colleague from Indiana, Congressman John Myers, join us.

These peas, were they the same brand?

Mr. FRANKLIN. The same brand; yes. Early June peas.

Now, these were the significant price differences that I found, and I later looked at the articles that I had purchased. I incidentally purchased all of the items that were on the list, and some of the items showed great discrepancies in quality, and I will talk about that now.

The green peppers sold two for 25 cents in both stores, but in the inner-city store the peppers were older, they were wormy, and to me there was a lot of dirt on these peppers, they hadn't been cleaned seemingly and many of them had been crushed to the point where there were breaks and gashes in them.

In the Clayton suburban store the peppers were fresher and they were firmer, of course, also.

The lettuce was the same so far as the cost was concerned. However, after examining the lettuce closely, we found that in the inner-city store the leaves on the outside of the lettuce, the leaves were wilted and they also were decaying. If one were to take off these leaves one would find that the inner-city buyer would get a smaller head of lettuce as opposed to the Clayton buyer, who would get a larger head of much fresher quality seemingly.

Mrs. Dames has already pointed out the pork chops and the hamburger differences we found. The same price, however, was true in both cases, but there was a difference in the quality and she has already indicated the differences.

In buying the items I notice that the vegetable bins and the meat counters of the inner-city store, the temperature of these bins was not as cold in the inner-city store as opposed to the Clayton store, and the inner-city store didn't, the produce there didn't have the water that one seems to use on the items to keep the freshness up, whereas the Clayton store, the produce had been drenched with water seemingly to keep the freshness up in those items. I thought that was very important.

Also, I found that the inner-city store had on display a number of sugar dry cereals as opposed to the Clayton store. This indicated to me that one could buy five boxes of sugared cereal and at the same time pay for a 5-pound bag of sugar if he didn't buy the sugared items.

Now, this is what happened the first day, of course. Now, on the second day, that was Monday, the 23d, I went back to the same stores and noted a difference in some of the prices of some of the items. The

peas in both stores sold for the same price on Monday following the weekend. That price was 25 cents per can. Also the bananas sold for the same price. They had gone up 10 cents in the Clayton store to 39 cents, which indicates to me that the person or buyer in Clayton seems to have advantage of a sale that's going on on the Fridays, or let's say a shopping day, as opposed to the person in the inner-city store, she has no opportunity to take advantage of a sale on a Friday or a regular shopping day.

Also I notice that the vegetables and other fruits, such as oranges, apples, cabbages, cucumbers, all of these seemed to be much older and dirtier in the inner-city store; grapes and plums, also it was indicated that they were poorer quality and they were not as fresh and as clean as the items in the Clayton suburban store.

My conclusion is that there is a difference in the quality of the vegetables and the meats, whereas in the inner-city store the quality is much poorer as that in the Clayton store, suburban store.

Mrs. DAMES. There was one thing else. When I talked to the store managers they said too that food was not shipped from one store to another and that produce was not shipped from one store to another, and they said that there was no deliberate intent to send poorer quality to the inner-city store, and yet since there is no competition there available in these areas, whereas in the suburban stores there are often groups, several stores of competing chains. There is no competition, the very thing that built the supermarkets. In the inner city there is no competition going on so it seems to me that perhaps these price discrepancies, while following the uniform price list that they use, it would be a question that the people in the inner city, the very poor people who need it are not being given the benefit of the competition that the better-to-do people in the suburbs are getting. I don't know if that came out in this, but at least this was my private view.

Mr. ROSENTHAL. In other words, the two inner-city stores that you shopped had no competing supermarkets within physical walking distance by your judgment?

Mrs. DAMES. That's right. And for example, someone living on A.D.C. in the St. Louis area, a woman with three children will have $114 a month to provide everything. I noticed earlier the A.D.C. people were talking about savings, how much a person could save shopping one store over another, and he said something like if they spend $1,000 a year on food—well, if a woman only has $114 a month she is not going to be spending even $1,000 on food, and these prices, I think, are very important.

Mr. ROSENTHAL. Also I assume she doesn't have transportation readily handy to travel outside?

Mrs. DAMES. Our bus fare in St. Louis, is, I think, 40 cents, 35 cents one way for an adult. She's not going to be able to afford a babysitter for the children.

Mr. ROSENTHAL. In simple language she has no choice but to shop at that store?

Mrs. DAMES. She really doesn't and what is available there, she probably does not even have knowledge of what is available in other stores because she is——

Mr. ROSENTHAL. From what you say, even if she did have the knowledge, from a practical point of view, there is nothing she could do about it?

Mrs. DAMES. That's right.

Mr. MYERS. I'm sorry I was late. In fact, I guess we are lucky to be here, we had equipment failure on a plane this morning and guess where, Cincinnati. We shouldn't laugh about that, but glad to be here.

Now, you are Mrs. Dames.

Mrs. DAMES. That is correct.

Mr. MYERS. You wrote an article, didn't you?

Mrs. DAMES. Yes.

Mr. MYERS. Did you write it personally yourself?

Mrs. DAMES. Yes.

Mr. MYERS. You were aware of all the facts, you personally experienced the facts you stated in your article?

Mrs. DAMES. Except for the one at the Kroger store, Mr. Franklin here went to the Kroger store. For purposes of comparison, the Kroger meats were judged objectively by Val Johnson of our city public health department health laboratory, though Dorothy Brainerd, our food editor, had looked at the meats and had already told us they were of poorer quality.

You see, the thing is, the chain people, the officers say there is no way this can happen and it does happen so something is wrong someplace.

Mr. MYERS. Well, I read your article, I'm sorry I wasn't here to hear all your testimony. You have no prepared statement, is that correct?

Mrs. DAMES. Well, I did but it was pretty bad.

Mr. MYERS. I have a few questions here about your article. You talk about here, on the first page of your article about the scientific analysis you made of certain meat. Was that by this Dr. Val Johnson?

Mrs. DAMES. That's right.

Mr. MYERS. Which was as far as the fat content is concerned?

Mrs. DAMES. Yes, and you see again this is a touchy problem because the stores say they have a trim policy on meat, but this is left to the jurisdiction of the individual butcher. I don't think trim policy alone accounted for the difference. If you take two chops, I think we have a picture in the article that shows more eloquently than many words could the differences in the actual edible portion of the meat. I would, if I were using words, say that there is twice as much meat on that chop to the right, which was purchased in the suburban store. Both of these chops came from the same chain, both of them came four to a package, pound weight was identical but you look at the meat available and you can see that's twice as much to eat.

If I were preparing a dinner for my family from these chops, I think it would take me, it would take 12 chops of the smaller kind, where you could get by with one chop a person, I feed six, you could get by with one chop per person.

Mr. MYERS. This was indicative, then, of all the quality of the stores you investigated, these were average samples that you took?

Mrs. DAMES. Yes. Don Franklin picked up these chops, and he just picked up what was there.

Mr. MYERS. You think he is a pretty good shopper, then?

Mrs. DAMES. I think he is a terrible shopper. I think he just picked up what was there.

Mr. MYERS. Does your wife let you shop?

Mr. FRANKLIN. I'm not married.

Mr. MYERS. You also speak about the heads of lettuce seemed to be smaller?

Mrs. DAMES. Now the heads of lettuce were definitely smaller. The ones we brought back to the office, if you looked at the two heads of lettuce before the outer leaves were stripped they seemed to be the same size, but as any housewife can tell you, lettuce comes two ways, peeled and unpeeled. The better stores will peel lettuce before they sell it to you sometimes, I mean if they care more about the preparation of it. What you are actually using, the outer leaves of lettuce will fluff out a little bit because they are loosening at the base and will make the lettuce appear larger, but those leaves have usually dried out and you wouldn't use them, you would peel them off before you would use this lettuce for a salad. So when you peel off the outer leaves of a lettuce you wind up with something perhaps a third smaller, maybe that's too high, I would say a fourth smaller.

Mr. MYERS. Actually it is just appearance rather than actual quantity?

Mrs. DAMES. Right, when you get down to what you can use. Most of the good stores peel the lettuce and wrap them and they are protected so you don't lose your outer leaves.

Mr. MYERS. We do at our house.

In the closing couple paragraphs of your article you say in some instances merchants in slum areas defend higher prices on the grounds that the risks of operating costs are greater than elsewhere. Could you tell us, the committee here, what you mean by that?

Mrs. DAMES. Now, this, I beg your pardon, this was in relationship to Congressman Rosenthal's hearings in Washington. This article followed another article we had had on the hearings in Washington and it was part of a general series. This did not have to do with St. Louis.

Mr. MYERS. I don't recall that ever coming up that this was proven either in Washington.

Mr. ROSENTHAL. I don't know that anything has been proven yet.

Mr. MYERS. There was a generality. No merchants said this in his testimony.

Mr. ROSENTHAL. Incidentally, we had that testimony yesterday in New York.

Mr. MYERS. The merchants said they did this.

Mr. ROSENTHAL. Yes.

Mrs. DAMES. I'm frankly—this may have come—you see the policy when you write a story, you write a story, it is your story, but someone will rewrite it and conform it to style. Now, this was not my paragraph but it probably came from Jean Briarton's previous article.

Mr. MYERS. Then all the article was not yours?

Mrs. DAMES. Well——

Mr. MYERS. You told me earlier it was.

Mrs. DAMES. In a sense that any article is mine is yes, because anytime you write an article you turn it in to an editor, and then a copy editor reads it, because they make great effort to check everything and make sure it is absolutely accurate, and anytime you read any article in the newspaper, chances are some portion of it may have come from a prior story which you did not write, but which is—that's the best way I can explain it. That's newspaper policy.

Mr. MYERS. Do you think that your survey that you made in the stores, the two of you, was it comprehensive?

Mrs. DAMES. Oh, no; absolutely not. Ours was a small survey, it was a small, honest survey which contained the main food groups——

Mr. MYERS. And there could have been mistakes made in your survey and article, then; is that correct?

Mrs. DAMES. No, there were no mistakes made in my survey and article.

Mr. MYERS. You don't think it was conclusive, then, you don't think that really you had this situation well in hand?

Mrs. DAMES. What do you mean by conclusive?

Mr. MYERS. Well, is this a general trend? Do you think that really you went into it deep enough to say yes, this is fact, that this is what is actually happening?

Mrs. DAMES. I went into it deep enough to say it is fact insofar as to say any housewife doing her food shopping can be said to say—in other words, a housewife is not going to go out and compare 8,000 items which change daily and try to make an intelligent use of her food money in the sense that HDC did. We didn't try to prove any more than we said here, that there does seem to be a difference in food prices, and I think that we honestly did a decent job on it.

Mr. MYERS. I read one article that you wrote and one that, what was his name, someone else wrote, and he isn't here today, is that right?

Mrs. DAMES. Gene Briarton has been writing on food costs in general.

Mr. MYERS. You had some complaints or how did you come about it?

Mrs. DAMES. We had had many complaints and we didn't know whether or not the complaints were justified. Many times people call the newspaper, contact a newspaper, and they have an ax to grind and we went out and took our survey just trying to see if there were some truth in this and this is what we found.

Mr. MYERS. You didn't name the chainstores. Did you go to different stores?

Mrs. DAMES. Two chains. I went to one, Mr. Franklin went to another.

Mr. MYERS. Did you go to various stores within the chains?

Mrs. DAMES. I went to four stores of the National food chain, Mr. Franklin went to two stores of the Kroger food chain.

Mr. MYERS. You spoke about the green peppers here. All the green peppers on the display were spoiled.

Mrs. DAMES. No. I think you missed this.

Here's another thing. The officers of the foodstore chains—well, let's talk specifically about National, since it was National's peppers that I noticed particularly. There was a slightly different situation with Kroger's peppers, but in National's peppers they had what I would call three grades of peppers. I checked with the USDA.

Mr. MYERS. Three price ranges, too?

Mrs. DAMES. No, they had each pepper individually stamped. Now, I have to say this loosely because I am not a vegetable authority. I checked with the Government and I said, the USDA vegetable man who talked to me off the record, and he said that anything that grows you can't have absolute similarity on, but that peppers are graded. Now, and this was also borne out by the National foodstore people

who said that there is some sort of an automated grading so this thing couldn't happen, but it did happen. There were tiny peppers, big peppers, twisted peppers. Most of the peppers were not very fresh. There were good peppers within this, but when you moved out to the county you didn't see this. You saw just good peppers.

Mr. MYERS. But there were good peppers on the tray, too?

Mrs. DAMES. There were some good peppers.

Mr. MYERS. The pictures you have here show brown spots on them?

Mrs. DAMES. That's a fault of the color process. That's also true of the other stores' green peppers, that's just a flaw in the color.

Mr. MYERS. Size is what you are trying to show?

Mrs. DAMES. There is a gash in one pepper. There is one pepper here bought at a Kroger store.

Mr. MYERS. Did you buy that one, Mr. Franklin?

Mr. FRANKLIN. I found that over half of the peppers in the inner-city store were of poor quality.

Mr. MYERS. You bought the cracked one. When you took it up to the checkout counter did you say this one is spoiled or this one is cracked, could I have a new one, or did anybody offer to exchange it for you?

Mr. FRANKLIN. No. They charged me two for a quarter.

Mr. MYERS. How about you?

Mrs. DAMES. Yes. When I checked out with it—this is part of the reason Mr. Franklin went out—when I took the pepper out—he told me the bananas were good and he marked down on the one pepper a nickel in price; no, 4 cents in price. He did not on the other. Now, I wondered——

Mr. MYERS. Where did he mark it down?

Mrs. DAMES. He said, "I will only charge you this much," at the checkout counter. He didn't mark it down, he said only charge here, whatever it was, 11 cents.

Mr. MYERS. But he marked the damaged pepper down at the checkout?

Mrs. DAMES. Yes, but he didn't mark the other damaged peppers down and this had the price marked on the pepper, it was stamped on there.

Mr. MYERS. Did you ask or did he volunteer to mark it down?

Mrs. DAMES. I didn't ask for it.

Mr. MYERS. What store is this we are talking about?

Mrs. DAMES. National, 4331 Natural Bridge. As I walked down the aisle he said, called out to the meat men and said, he was marking things down in the aisle, you know, before I got over to the vegetable counter, and he said, pass the word, and I thought oh, oh, since this is an all-Negro area he either thinks: (a) I am from the newspaper, (b) I am from the chain checking prices against their list, or (c) I am from a competitive store, because I think my white skin stood out. The only other white person in the store shop was an old lady in her seventies who was complaining to me about the food prices. It is an area in transition, there are not many white people still living around there or it has gone beyond transition, I would say.

Mr. MYERS. But you did not tell them that you were a reporter, did you?

Mrs. DAMES. No; I didn't, but I had a notebook, I was taking notes.

Mr. MYERS. But you did purchase, though; didn't you?

Mrs. DAMES. I purchased; yes.
Mr. MYERS. Thank you.
Mr. ROSENTHAL. I have no further questions. Thank you both.
The next witness is Rev. John Shocklee.
Father Shocklee, we are delighted to have you with us. We will be grateful hearing whatever comments you have on the testimony you have heard here and the experiences you have had in St. Louis and the work you have done.

STATEMENT OF REV. JOHN SHOCKLEE, PASTOR, ST. BRIDGET OF ERIN CHURCH

Reverend SHOCKLEE. Thank you, Congressman.
Later in the day you are going to hear from several ladies from our community who know a whole lot more about food and costs of food and quality of food than I do. However, I do have observations about the situation that having been a resident of the community for 7 years, and that community is—I live in the Pruitt-Igoe area that you have heard of several times today. When you know the community, and you may have heard these statistics before this morning, that we do have about 70 percent of our people are on aid of one kind or other, ADC or the blind or the old-aged assistance or general relief, and of those that are living in the Pruitt-Igoe housing development, 62 percent of our people live on less than $3,000 a year. It is less than $3,000 a year as family income. It doesn't make much sense, it doesn't mean much until you read that we are the third highest metropolitan area in the United States as far as food costs are concerned, and most of us know that we are the 42d State in the Union as far as the size of welfare benefits to the individuals are concerned, so there is a discrepancy there that makes it quite a problem.
My own experience in the neighborhood, and the complaints of the housekeeper that makes purchases for us, called it to my attention that it was costing us just a lot of money just to live there, and then the women from the community began reporting the difficulties that they were having of getting by on their limited budgets. I have heard many times about Kroger this morning. Kroger happens to be the only chain-store that we have in the neighborhood, and while I don't have stock in Kroger, A. & P., or anybody else, I don't know whether the situation would be helped if they left the neighborhood, so what my point would be is that something ought to be done to offer this competition and to offer this choice of some form of encouragement to other chains, other large groups to get concerned about this large number of people that do live in our community.
Mr. ROSENTHAL. In your immediate area, Father, there are no other chains other than Kroger?
Reverend SHOCKLEE. Nothing in the immediate area, and the only other Kroger store is 4200 west on Lindell or 4200 north on Grand.
Mr. MYERS. How far would that be, Father?
Reverend SHOCKLEE. Five miles, at least, each way.
Mr. MYERS. Are there other stores that are chains?
Reverend SHOCKLEE. There are other small stores, small markets, delicatessen, but again these are not owned by people who live in the neighborhood, they are owned by people out in suburban areas, but

they are there. The only large store that we have, a typical national supermarket nationwide would be Kroger.

The people were complaining to me about food and again I don't do the buying much myself, but I know the limitations of how hard it is to feed people on a limited amount of money. We didn't know what to do about it. If somebody raises too much cain about Kroger they might cancel their lease and move and we have added to our problems. But we did have an old bus that sat around the neighborhood that belonged to us, the bus was like the rest of us, quite deteriorated, but we were able to get the bus out on Saturday mornings, and there is in St. Louis a farmer's market in south St. Louis called the Soulard Market, it has been there since the 1780's, I think, and each wave of people that came to St. Louis seemed to end up at some time in their life at Soulard Market. We were able to offer the bus to the women of our community, if they so desired, if they would pay us enough to keep the bus running, we would provide a driver to take them to this market and then they could shop. At that time they also sent along a person who would teach them how to shop, not to buy the first items that they saw, but to take a walk around the market and see how much eggs were and how big they were, how fresh they looked, then on your second trip around make some purchases. It met with mediocre success as one of the ladies is going to tell you this afternoon. The mediocre success was due to a number of things, not that the people didn't want to use it, but we couldn't run it every day, we could only get a driver on Saturdays, poor people don't have money that they can write a check and go just when we say the bus is ready.

Sometimes they have other obligations of rent, that food is something that you worry about day to day. From the public image people can't tell when you are hungry but they can tell when you have been evicted by the furniture out on the sidewalk, so our people frequently pay their rent first, then trust it to luck as far as food was concerned. However, we did offer this one choice, if they wanted to come they could, we weren't compelling them in any way, but it is only mediocre. It is a smaller bus that's available now. I think the ladies this afternoon might tell you that it is the season of the year and the time of the month when they are best able to take advantage of this, but it was one effort made as far as giving people a choice. They have no choice in our community, as I heard someone else testify, and we do not have the automobiles available, the people do not have their own cars, and the cost of public transportation is also very high and quite irregular. So there was a difficult thing. Where do you go? So this was an effort, but I am quite sure that it is not adequate. It might be strengthened if we could get additional resources available if the extension services, Missouri University, and other homemaking programs could kind of join in on this and we join with them and possibly make it more available.

Mr. ROSENTHAL. Father, neither you nor the ladies consider the small stores there a choice. Why?

Reverend SCHOCKLEE. Well, the price, I don't think it is something that's peculiar to our neighborhood, that small stores cost more, because they do not have the volume of business. Again, your choice is reduced. You buy this can of beans or you don't buy any beans at all. Or you buy this pound of butter, this grade of butter, or this stick of

butter because there is not that much choice of various types. There are no sales in the small stores. They meet the needs of people as these needs arise. They are for the most part open on Sundays and they are open early in the morning, chainstores don't open till 9. The other stores are open earlier, some at 7 or 7:30. They are open on holidays. They are needed in the neighborhood, but most communities use these stores as emergencies, when somebody drops in and you suddenly realize you don't have enough food, which happens in everybody's middle-class family. But this isn't a question of dropping in, this is just a question of "Now we have a dollar and we are hungry," the only place that's open is the smaller market.

Mr. ROSENTHAL. Why did you have to bus them out of the community, why didn't Kroger meet that choice or that need?

Reverend SCHOCKLEE. Well, I don't know why they didn't. Their prices, our people felt they weren't getting the opportunity to choose and they were complaining about the prices, so one thing that we could do was let people know what the prices are someplace else, and this is why we did it. I don't know why they didn't particularly—they do offer us a larger store, you can have a choice, a greater choice in Kroger, but if you aren't satisfied with that there is nothing else. The competition, then, is just not there. Frankly, I suppose in your hearings you certainly want to know what to do about it, and the thought occurred to me when I was asked to come, that maybe a recommendation might be, from my view point of what I can see, is that the government might extend some kind of subsidy to business to move into areas comparable to ours all across the country. We aren't unique, as you know, we are just a small town compared to the problems of Chicago, Detroit, and New York, and Philadelphia, but maybe the Government might be able to offer some kind of a subsidy to business, some kind of a tax concession or grant, subsidy of one form or another. It has done this in other areas of human needs, through the Hill-Burton Act, it has helped the hospitals to be built in areas where they were needed. I know that the educational offices offer additional funds to school systems when they are overburdened with Government installations, or whether it is some kind of depressed area. It would seem to me that the question of food is even more basic than hospitals and education, and some kind of support might be given to the foods industry to encourage them to stay in neighborhoods like ours and to encourage others, other food chains to move in.

Another thing that I think must be considered in the sense of assisting foodstores to stay in the neighborhood, and of a multiplicity of them to offer poor people a choice, would be the programs involving the Government and various kinds of on-the-job training programs that would involve people who do live in the ghetto and thereby increase the income of the ghetto, which is one of our basic problems. This, at the same time, would reduce the "we-they" idea we have, that everything we have in our community is owned by somebody on the outside. There is not a store in our neighborhood that is owned by somebody who lives in the neighborhood. Everybody has moved away whether they be a local merchant or whether it be a chain. If the people could be prepared for managerial positions and strong training programs, not only training programs as to how to work, but also how to purchase, this might be a possible favorable reaction to the people of our community, that somebody is trying to help.

We have this large number of people, we admit that our income is not the highest in the world, and we know that business is in business to make money. I don't think it is impossible that money could not be made if the Federal Government was able to offer some kind of leadership in promoting the types of things that I recommended, of some kind of concessions or subsidies or grants to enable this large segment of American people to be fed properly at a price they could afford to pay.

The answer, of course, would be competition, which is what we need. Poor people don't have much choice at anything. You have to live in a certain area, you work at a certain job, you buy in a certain store and that's the limit of it, which might give us an indication of why violence and rebellion enter into the picture occasionally.

This is my opinion, I am not the professional that goes around with a basket and compares prices. My observations were at the end of the month when the housekeeper told us we owed them a lot of money and we began to look closer.

Mr. MYERS. Father Shocklee, I'm not real sure, you aren't charging, then, that the store in your area, the chainstore that happens to be Kroger, is charging more than they do in other areas of the city; is that correct?

Reverend SHOCKLEE. All that I can say is I have gone out to other areas in the suburbs to a store where the prices were much cheaper than we were paying across the street. Now, this was not another Kroger store, this was a different store where I happened to know the manager and he asked me to come out, which I did do, but this creates the problem, while the prices are much more reasonable generally at this particular chain, it is at a great distance and they have no stores in the city whatsoever, they are all suburban stores. They do reach out to the people living in the suburban community, and if the people of our community, and frequently I do meet people from our neighborhood who have a car who go as far away to make purchases.

Mr. MYERS. Are these general beliefs or did you look at specific items?

Reverend SHOCKLEE. I checked out in the area of fruit juices.

Mr. MYERS. Same size, same brand?

Reverend SHOCKLEE. Del Monte brand, at sale at this store they were 22 cents a can, normal price about 27 cents a can, but frequently at our store 32 cents a can.

Mr. MYERS. Is there competition out in the suburbs where you went?

Reverend SHOCKLEE. Yes, sir.

Mr. MYERS. You talk about subsidizing, we work up some subsidy for stores to come into your area. Why isn't there a store now, why isn't there some competition, can you give me a reason why?

Reverend SHOCKLEE. I presume—well, I am sure the stores could tell you more about it than I can, they are there to make money, they probably feel they aren't going to make money. I don't know anything about the books, the annual report of Kroger, but I know they would have complaints of vandalism and the usual charges which may or may not be true. But why the others aren't coming, I suppose they feel they aren't going to make any money at it.

Mr. MYERS. If these charges are true, my gosh, there is a lot of money to be made there then.

Reverend SHOCKLEE. The problem you have to understand, though, you don't get the volume for the numbers of people. Pruitt-Igoe has 10,500 people living there. As we said, 62 percent have family incomes of less than $3,000 a year. Three thousand a year is about half the average, so for practical purposes we have 5,000 people who have a buying power, while there are 10,500 people living there, for practical purposes we have a buying power of 5,000 people, so this enters into the picture why another store might not come without some kind of subsidization, tax exemptions.

Mr. MYERS. Don't they have food stamps in this area?

Reverend SHOCKLEE. Oh, yes.

Mr. MYERS. Isn't that subsidy right there, where it raises the food-buying power of the public?

Reverend SHOCKLEE. The food stamps are limited to certain items, they have to be edible, they have to be from the United States, but where we think of food——

Mr. MYERS. That's subsidizing, it is purchasing power that's what it is intended to be.

Reverend SHOCKLEE. There are lots of other things there. Frankly, the food stamps are sponsored by the Department of Agriculture.

Mr. MYERS. I am on the Agriculture Committee, also.

Reverend SHOCKLEE. This is obviously to help the farmers.

Mr. MYERS. No, not the food stamp. They had the commodity originally, but it has gotten away from that now. This new act wasn't to subsidize the farmer.

Mr. ROSENTHAL. Not to let the record be confused, when the food stamp program was started it was started to dispose of surplus products. I was on the agriculture subcommittee that reported out the food stamp bill. We are all right on this one; since then it has been such a widely accepted program in the interest of improving the quality of life in the United States it is now fully accepted as being of help to low-income people and not necessarily the farmer. The farmer is still the residual beneficiary because he is moving more food.

Mr. MYERS. Of course, farming is—we aren't going to get into discussion here of farming being a basic industry, but about anything you do will help industry, but this is really the design of our new program now which I hope will—is to help people rather because we still have some commodity programs.

Reverend SHOCKLEE. Some subsidization, or increased food stamps made available. Frequently, you know, some people are so poor they don't have the money to buy the stamps to get the food, which doesn't help the situation whatsoever. But I am all for food stamps and I am glad to hear you are on the committee. I am for it 100 percent. I hope there are greater increases in them and more people took advantage of them. This is one form of subsidizing the industry to get people interested in the community, and they do have a choice, they can go to Kroger or they can go to any store which will accept the food stamps.

Mr. MYERS. Where do they get the food stamps in your area?

Reverend SHOCKLEE. We have to apply out at the welfare office and then——

Mr. MYERS. Where is the welfare office?

Reverend SHOCKLEE. Delmar and Euclid. About 4800 West.

Mr. MYERS. Physically, how far in miles is that?

Reverend SHOCKLEE. You have to go there to apply, 5 miles, then they have to go up on Grand Avenue to the food stamp office to get the stamps themselves.

Mr. MYERS. How far is that?

Reverend SHOCKLEE. About a mile.

Mr. MYERS. So they do pass possibly other stores on the way to get their food stamps and so forth, they do pass other competitive stores, those people that do have food stamps?

Reverend SHOCKLEE. Right, except that there would be no Kroger.

Mr. MYERS. Others possibly?

Reverend SHOCKLEE. There aren't, though.

Mr. MYERS. In 5 miles there are no other chainstores?

Reverend SHOCKLEE. In thinking fast we don't have a chainstore between here and the food stamp office, from our area now. If you came from the south you might bump into different ones, but our particular community—I don't know of another one—I stand corrected on this, but I don't remember another one. I am talking about the large stores.

Mr. MYERS. You spoke about local ownership and managers. Your Kroger store, do they hire local people from your area to work?

Reverend SHOCKLEE. Yes; they do.

Mr. MYERS. Don't any of them ever work up to become managers someplace else?

Reverend SHOCKLEE. I can't really tell you. There is a different policy in the stores. Some leave this up to the individual manager and sometimes he never seems to find anyone he wants to hire in that particular community, so that the hiring then might be done at the upper level of the administrative level rather than the local store, but I do know that they can get a good word from the manager in our neighborhood, because I have taken boys from our neighborhood out to the Kroger office, which is next to Lambert Field out on Lindbergh in my car so they could take some tests to be hired by the store in our neighborhood.

Mr. MYERS. Were they hired?

Reverend SHOCKLEE. One boy was and several others I think. I do know one that was particularly interested was hired.

Mr. MYERS. But they do hire people from your community?

Reverend SHOCKLEE. If you are strong enough to get all the way out to Lindbergh, if you can get 10 miles.

Mr. MYERS. If you want to be a stockboy you ought to be strong enough to get out there.

Mr. ROSENTHAL. I want to take this opportunity to commend you, Father, not really for your testimony, but because someone in your profession is so deeply involved in matters of concern to members of our profession. It is a very healthy sign and I think it is an important sign for America these days. Thank you very much.

Reverend SHOCKLEE. Thank you.

Mr. ROSENTHAL. The next witness will be Mr. Walter W. White, manager of operations of the St. Louis division of the Kroger Co.

When we complete this testimony we will adjourn for lunch.

STATEMENT OF WALTER W. WHITE, MANAGER OF OPERATIONS, ST. LOUIS DIVISION, THE KROGER CO.

Mr. WHITE. I have a prepared statement.

My name is Walter W. White. I am manager of operations of the St. Louis division of the Kroger Co., 6050 North Lindbergh Boulevard, Hazelwood. We operate the Kroger stores in Metropolitan St. Louis.

I want to thank you for your invitation to our company to be present here today to discuss this very important matter. We are well aware of the concerns expressed to you by persons and groups who say that evidence of discriminatory practices can be found in the retail food industry in St. Louis. Although we do not agree with the conclusions they have reached, we share their civic interest and humanitarian concern. We hope that their energies, as well as those of the rest of us, can be mobilized in a constructive manner intended to continue to move this community forward.

Published accounts of this matter, as well as the private and public statements of those associated with the reports discussed here today, have a pervading accusation that food chains deliberately cheat a particular segment of their customers.

Speaking for myself and for Kroger, I say to this committee and to all who will listen that this accusation is absolutely false.

Our company, since its inception 84 years ago, has built and maintained its national reputation as an outstanding food merchant by adhering steadfastly to the principle of dealing fairly and honestly with our customers, no matter who they are and no matter where they live. This business creed is no less an ingredient of our corporate character today than it was in 1833.

We resent the innuendo and implication of the statements made on this issue in St. Louis in recent weeks. We consider them unwarranted, unfair, and untrue.

Now, permit me to address myself to the intricacies of just one aspect of our very complex business so that you here today can judge the information presented to you in fuller perspective.

On the shelves of our Kroger food stores we stock approximately 8,000 different items. This array of merchandise, which affords our customers great freedom of choice, means that we keep on hand—and we must price—about 200,000 separate cans, cartons, and containers in each of our stores.

Like most other businessmen, we base our entire operation on the planned selling of these items at the proper price, thereby enabling our customers to receive full and true value, and our shareowners to receive a fair return on their investment.

Unfortunately, we're like any other organization run by human beings; we do make mistakes. We have developed, and we forcefully administer, a system of controls intended to eliminate as many errors as it is humanly possible to eliminate.

A wall-to-wall check of all prices in each store is made regularly in connection with store audits. Additionally, an independent, professional shopping service is constantly checking prices in our stores, along with other aspects of store operations. We also employ a man experienced in price checking to inspect our competitors' stores, and he keeps tabs on our prices, too.

Furthermore, store personnel are expected to frequently and regularly check prices in their store. Store managers and department heads, especially, are actively engaged in these frequent checks. In addition, more than two dozen experienced management people spend much, if not most, of their time in our stores, and price checking is something all of them always do.

But we are no different than anyone else in this room; we are human, and errors do occur, no matter how diligently we try to avoid them.

It might be well to note that pencil manufacturers recognize this human imperfection when they put an eraser on each pencil sold to the public.

So it's entirely possible that on any given day, in any given store, a particular item will not carry the price it is supposed to carry. This is not only possible, it is understandable.

As an illustration, let us look at the week of October 15, during which the Human Development Corp. teams visited our stores.

In that week alone, each of our store managers was responsible for carrying out approximately 380 price changes, some up, some down, on more than 5,000 pieces of merchandise on store shelves. For many reasons, these price changes occur with great rapidity and in great volume. Many of them are connected with implementation of our sales plans, which provide special values to the customers of all of our stores. Some are caused by cost increases made effective by the food manufacturing companies which supply us with the merchandise we sell. Others are caused by changes in local competitive conditions which develop suddenly and unexpectedly. Still others may be caused by the need to obtain quick sales of perishable merchandise which is nearing the end of its shelf life with a large quantity still on hand.

There are other reasons, too.

A particular item may have been discontinued by the food manufacturer because of a lack of customer acceptance. It must be marked down for quick sale.

Merchandise offered at an advertised special price on the weekend sometimes is left over on Monday morning. The special price then must be changed to the regular retail price.

Market changes frequently occur so rapidly that the mimeographed pricelists prepared regularly in our division office sometimes are already out of date by the time they are delivered to our stores. As a result, accurate pricing has become almost an hour-to-hour task and responsibility for our store managers and their employees.

A further factor is this: Much, if not most, of our pricing is carried out by part-time personnel, many of whom are high school students and other young people. It takes time for them to be properly trained and to become accustomed to the mechanics of pricing. Frequently, just when they have reached an acceptable performance level, they leave us for college, the military service, or another job.

It becomes quite clear, then, that the speed and frequency and volume of price changes create human working conditions under which inadvertent errors can occur, and we would be the last to deny this. Certainly, we can improve. But we are not ashamed of our performance as human beings who have not yet attained perfection.

Vital to the discussion here today, however, is the fact that, while these errors may occur, they are not by design. They are not delib-

erately carried out as a part of a sophisticated conspiracy intended to cheat our customers. We simply do not operate our stores in that fashion.

In my judgment, this fact is evident in the report of the Human Development Corp. itself. In listing the prices the HDC teams found on their visits to our stores on October 19 and 20, the report covers prices in two stores located in low-income neighborhoods and prices in five stores in middle- to high-income neighborhoods.

On only three items, out of 29 checked, were the prices in the two low-income neighborhood stores higher than in all five of the middle- and high-income neighborhood stores.

On all other items, the price in at least one of the low-income neighborhood stores was the same as the price in at least one of the stores located in the higher income neighborhoods. And in one instance, the price charged in the low-income neighborhood store was less than in the higher income stores.

Certainly, if the price disparities reported to you today were the result of a deliberate effort to systematically deceive and cheat our customers in stores situated in low-income neighborhoods, there would have been substantially more uniformity in the differences. If we were intent upon cheating our customers in low-income neighborhood stores, then it follows that we would be attempting to do the same thing in other comparable stores.

At this point I'd like to briefly discuss the matter of the quality of the merchandise sold in our stores, which has been questioned by some of those involved in the store visits described for you today.

Our warehouse consists of almost one-half million square feet of storage space. Through it each week move about 11 million pounds of perishable and nonperishable merchandise. It would be impossible for us to selectively single out any inferior merchandise in this rapid and voluminous operation, and send it into the low-income neighborhood stores, even if we wanted to.

But the important thing is this: We don't want to.

Our business is based on repeated patronage. Unless we continue to satisfy our customers, no matter who they are and no matter where they live, they can quickly take their business elsewhere. And to most housewives, nothing is more important to them in selecting the supermarket of their choice than the quality of meats and produce. If they find low-quality goods, they simply shop at another store.

This is why we pay so much attention to meat trim, which is a factor and an important one in the housewife's buying decision. As an example, in our store at Jefferson and Stoddard, listed in the HDC report as serving a low-income neighborhood, our head meatcutter trims off more of the excess fat on certain beef cuts than is called for under our rigid company policy. This is necessary if he is to sell the product while it is fresh, and still be able to maintain adequate variety for our customers. He has to be fussy, because he has customers who are particular about the food items they buy.

Then, too, most of the fruits and vegetables in our produce department are prepackaged. This enables us not only to preserve the freshness and quality of this merchandise, but to date the package on the day it is put on the shelf so that it can be removed when its shelf life has expired. Bulk displays, quite obviously, cannot be dated.

Suffice it to say that all of our stores are served out of the same warehouse where orders are handled under an impersonal assembly system. The quality of our goods is as uniformly high as it is possible for us to buy, and these goods are shipped indiscriminately to our stores without regard for what kind of neighborhood a particular store serves.

The charges and allegations which have been discussed here today have been made before, and investigated before, and disproved before.

Separate studies in Kansas City, Milwaukee, Jersey City, and Cincinnati, to cite just a few that have been brought to my attention, have been carried out by local citizens groups, university personnel, and official government bodies. Repeatedly, the charge that food chains discriminate against some of their customers by selling inferior merchandise at higher prices in low-income neighborhoods has been found to be baseless.

The most recent comprehensive study of this nature, perhaps, was the one carried out less than 2 years ago by the Bureau of Labor Statistics of the U.S. Department of Labor at the request of the National Commission on Food Marketing appointed by President Johnson. I recognize that you, Mr. Chairman, are well acquainted with this study as a result of your service as a member of the Commission.

The study covered six cities: Atlanta, Los Angeles, Chicago, New York, Houston, and Washington, D.C.

The final report concluded:

> The Bureau of Labor Statistics has found no significant differences in prices charged by food stores located in low-income areas versus those charged by stores in high-income areas when the same type of stores (chains, large independents, small independents), the same qualities of foods and the same sizes of packages are compared.

We expect the same findings to be forthcoming here. We hope, then, that those who now question our honesty will acknowledge publicly that we are, indeed, playing fair and square with all our customers.

To do otherwise is to question the personal integrity of some 4,000 hard-working Kroger employees who are proud of their reputation as outstanding citizens of this community.

That, in our humble judgment, would not only be unfortunate, it would be unfair.

Mr. ROSENTHAL. Thank you very much, Mr. White. I do have some questions. I would like to say this first.

You reference on page 7, the study of the Bureau of Labor Statistics, and you rightly point out that I was a member of the Food Commission, and I remember that study quite well. The Food Commission paid $15,000 and the Office of Economic Opportunity paid $30,000 to the Bureau of Labor Statistics to make that survey. It was probably the greatest waste of the taxpayers' money in history because of the way the Bureau of Labor Statistics made the survey. Before going into each store the stores were notified that BLS was coming. So that if the manager wanted to shape up the store he had about 2 weeks in which to do it. If I knew how to get that money back I would start an action to do it. I'm sure Kroger is more efficient than BLS was.

Mr. WHITE. I'm not aware that they had advance notice; however, it is considered to be one of the most authoritative today.

Mr. ROSENTHAL. I wasn't aware of it either until we had the head of the Bureau of Labor Statistics, Dr. Arthur Ross, testify to our committee and inadvertently it slipped out that they called the stores 2 and 3 weeks in advance and set up the date to come. This raised a serious question as to the efficiency of the study.

Let me ask you a few questions.

Do your managers work on a straight salary basis or is it a salary-and-bonus basis or is it some other arrangement?

Mr. WHITE. Our managers work on a salary-plus-a-bonus base.

Mr. ROSENTHAL. Could you tell us what that arrangement is?

Mr. WHITE. Yes. They have a salary, a base salary on an annual basis, so many dollars per year, then they are eligible to participate in a bonus earning up to one-third of their base salary.

Mr. ROSENTHAL. Is that common in the industry?

Mr. WHITE. It is common in Kroger and in many other food chains; yes.

Mr. ROSENTHAL. I know that Safeway does it in similar fashion. Their managers can earn up to 60 percent. A. & P., on the other hand, offers a straight salary with no bonus benefits so that if one were to analyze the difference between the operations, your managers and, for example, Safeway's managers, have a much stronger incentive basis for turning a profit in their store; in other words, it affects their actual annual income.

Mr. WHITE. They can increase their annual income by participating in the bonus; yes.

Mr. ROSENTHAL. Have any or all of the managers of your five stores surveyed here by HDC reached their maximum one-third bonus?

Mr. WHITE. No, sir; I do not know those figures today, no.

Mr. ROSENTHAL. Could you do this for us? We'll leave the record open—do you have anybody here who might?

Mr. WHITE. Not to my knowledge; no.

Mr. ROSENTHAL. We'll leave the record open and would you address a communication to the committee advising us, and refer back to the HDC study which I am sure you have a copy of, their stores are numbered for Kroger's one to five, and tell us which of these managers have reached their maximum bonus arrangement, or if any have reached any bonus?

Mr. WHITE. Any of the seven stores involved? What they list under No. 1 and 4, they have two stores each, so it is a total of seven.

Mr. ROSENTHAL. Fine.

(In a letter of December 19, 1967, Mr. White advised the subcommittee that none of the managers of the Kroger stores included in the HDC survey "earned their maximum bonus so far this year." No information was received relative to whether any bonus was received.)

Mr. ROSENTHAL. Somewhere in the statement you indicated that you do make checks on prices, and I know that all of your colleagues in the industry do that. How often does someone under your jurisdiction or your command make a check on prices in any of these stores?

Mr. WHITE. Well, I am what we call manager of operations for the St. Louis stores division, as I stated. My responsibility is the operation of the stores within the division. I have supervisors who report to me who, they themselves, supervise a certain number of stores. On their regular visits to these stores, as I indicated with other management people visiting the stores also, they make arrangements for price checks as a regular part of their work.

Mr. ROSENTHAL. How often?

Mr. WHITE. They visit stores every week.

Mr. ROSENTHAL. Are the supervisors or someone in their ranks directed by you to examine prices once a week?

Mr. WHITE. That's correct; they are directed to examine prices as a regular part of their duties when they visit stores; yes, sir.

Mr. ROSENTHAL. You have a book price for all your stores in the St. Louis area?

Mr. WHITE. Yes, sir.

Mr. ROSENTHAL. And all the stores in the St. Louis area are supposed to sell items at the same price unless there is a disposal or a reduction in price?

Mr. WHITE. They are to sell merchandise at book price unless for competitive reasons, or an overstock or some reason such as that, then they have the prerogative of reducing the price of that merchandise to sell it while it is still fresh and of value for the customer.

Mr. ROSENTHAL. What would you do if one of your intermediate supervisors reported to you that a manager was consistently selling over the book price?

Mr. WHITE. If one of my supervisors reported that to me I would request that our audit department make a detailed price check of that store to determine the facts involved.

Mr. ROSENTHAL. Within the past two or three years have there been any reports made to you that consistently there was higher book price being used in any one of your stores?

Mr. WHITE. Higher than book price being used?

Mr. ROSENTHAL. Higher than book price.

Mr. WHITE. No.

Mr. ROSENTHAL. Do you yourself go out at all to examine prices?

Mr. WHITE. Yes; I visit stores, I attempt to spend approximately 40 to 50 percent of my time visiting the retail stores each week.

Mr. ROSENTHAL. Prior to the October 20 survey, that is, prior to your being made aware that there had been a survey made, when had you visited any one of the Kroger ghetto stores that we have been talking about?

Mr. WHITE. I would have to check my records to determine when that was, but that is a matter of record; yes.

Mr. ROSENTHAL. Now, on page 6 of your statement you said that most fruits and vegetables in your produce department are prepackaged. Is lettuce one of those items that is prepackaged?

Mr. WHITE. Yes.

Mr. ROSENTHAL. How about green peppers?

Mr. WHITE. Green peppers are not. Green peppers are generally sold bulk; however, on occasion they are packaged two, three, six to a package.

Mr. ROSENTHAL. Is the lettuce prepackaged in all of the Kroger stores in this area?

Mr. WHITE. Yes.

Mr. ROSENTHAL. In other words, if we went to any one of your stores, all lettuce would be prepackaged?

Mr. WHITE. They are directed to prepackage their lettuce.

Mr. ROSENTHAL. Could we expect to find it prepackaged?

Mr. WHITE. I would think so; yes.

Mr. ROSENTHAL. Now, on page 5 of your statement you said that housewives can quickly take their business elsewhere if they for one reason or another become dissatisfied with your performance. This is a classic reference to competition—the heart of our free-enterprise system.

Now, I think you were here when Father Shocklee testified that there is only one supermarket in that Pruitt-Igoe area. I think it can be readily accepted that the small independent stores generally charge more than supermarkets. Now, if a lady did become unhappy with prices at your store, what could she do about it? Where could she go, considering the geography of the area?

Mr. WHITE. Well, we have no captive audience as far as the customer is concerned. We have no ties to them that they must absolutely shop at our store.

Mr. ROSENTHAL. That's a conclusion that distresses me. I am interested in the facts and then see if we can't both reach the same conclusion. You saw the map that was shown here. For the store in the Pruitt-Igoe area there are no other competitive supermarkets for how far away?

Mr. WHITE. Well, I would like, if you would, to let me show you a map that I have here which we feel indicates more stores in the area than what was shown on the HDC map.

Mr. ROSENTHAL. I'd be happy to hear about it.

Mr. WHITE. This map is by no means complete; we feel it is approximately 75 percent complete as time permitted us to prepare it.

Mr. ROSENTHAL. Let me just ask you this. How far away or how close is the nearest competitive supermarket to your store in the Pruitt-Igoe area?

Mr. WHITE. I would have to measure that on the map. Kroger stores are indicated by the large blue circle, the National stores are indicated by a large green circle, A. & P. is indicated by a large red circle.

Mr. ROSENTHAL. The trouble with this map is that we can't relate, or at least I can't relate, to the Pruitt-Igoe area or what is defined as the poverty area. I am interested in specifics.

You have a store in the Pruitt-Igoe area. How far away in terms of blocks or miles is the nearest large-scale competitive supermarket?

Mr. WHITE. I am not qualified to specifically answer that question for you.

Mr. ROSENTHAL. Do you have anyone with you who could help you answer?

Mr. WHITE. Not to my knowledge. I think the nearest Kroger store we have one located on 13th Street, the Jefferson-Stoddard store is located on Jefferson Avenue and Stoddard, which is approximately

10 blocks north of 13th Street, and then the other Kroger store is north five or six blocks from that location. There are competitive chain-stores in between those two stores, National in specific.

Mr. ROSENTHAL. I hate to press the point, and I shall not. In other words, you cannot give us an answer in terms of something that we can all relate to, blocks for example, city blocks. We have to begin with the premise that the average housewife living in that area does not have private transportation to go shopping and it is questionable whether public transportation is a useful thing, so that she has to walk. Now, if she for one reason or another becomes unhappy with your store, how many blocks would she have to walk to find a large scale competitive store? If you cannot answer that question, we will leave it open in the record so that you can fill it in.

Mr. WHITE. We can measure it off and fill it in, yes.

(The following information was subsequently received:)

THE KROGER CO.,
Hazelwood, Mo., December 19, 1967.

Hon. BENJAMIN S. ROSENTHAL,
House Government Operations Committee,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN ROSENTHAL: During the special consumer inquiry hearing in St. Louis on November 25, I indicated I would furnish additional information to you concerning two questions you raised during my presentation. That information is as follows:

What other supermarkets are located near the Kroger Co. store at 2625 Stoddard Street?

(*a*) A. & P., 2543 North Grand, 1.4 miles away;
(*b*) A. & P., North Florissant and Montgomery, 1.5 miles away;
(*c*) National, 14th and Montgomery, 1.6 miles away;
(*d*) I.G.A., Easton and Sarah, 1.8 miles away;
(*e*) Tom Boy, Sixth and Lucas, 1.8 miles away;
(*f*) Bettendorf, Seventh and Olive, 1.9 miles away.

I trust this information will complete the hearing record.

Thank you.

Sincerely,

WALTER W. WHITE,
Manager of Operations.

Mr. ROSENTHAL. Now, there is a statement here that I want to go over carefully with you, but before I do that I would like to ask you your opinion of the credibility of the people who made the HDC study.

Mr. WHITE. Well, I'm not prepared to comment on the credibility of the people. We do question the results of their study to some degree, and let me, if I may, make two or three examples here, and I am referring to their price check that they made of October 19 and 20 by the HDC group.

Taking the first item on the list, the canned ham, Dubuque, 5 pounds; in store No. 3 this item is indicated to be $6.65. Now, this is the Jefferson-Stoddard store in the Pruitt-Igoe area.

Mr. ROSENTHAL. Right.

Mr. WHITE. Their own admission this morning, which is the first time I had heard it, indicated that this ham was not offered for sale in that store. In our checking, the records at the store indicate that it was not on sale at the time in that store.

Mr. ROSENTHAL. I was not impressed by their answer to that question, so that, as far as I am personally concerned, I am perfectly willing

to discount that. In other words, if I had been taking a survey I would not have listed an item that was not available in the store.

Mr. WHITE. As you note in the totals, then, that makes a difference in the totals of approximately 84 cents, which is a sizable amount.

Mr. ROSENTHAL. I have already done that. Let's go item by item, beginning with hotdogs and go down. How can you explain that hotdogs, Hunter, May Rose; is that your own brand?

Mr. WHITE. No, sir. Let me go back one and comment on the ham; not that one in specific, but our book price at the time of October 19 and 20 was $5.99, and we questioned how they can report that the other six stores surveyed were $5.81. This does not appear to be logical to us.

Mr. ROSENTHAL. You are making the same mistake they did. Do you have your book price with you for October 19 and 20?

Mr. WHITE. No, sir; I do not.

Mr. BARASH. Do you have the book prices on these items that were surveyed by them?

Mr. WHITE. I have the prices that were in effect on those items and some of them were sale items.

Mr. ROSENTHAL. As long as you have raised that issue, and I would be perfectly willing to discount this one, because I was not impressed by it, how can you explain that they found this canned ham at stores 1, 2, 4, and 5 for $5.81 when you say the book price was something else?

Mr. WHITE. I cannot explain it. I was not in any of these stores on those 2 days, I did not see the price.

Mr. ROSENTHAL. Were you in any of these five stores on those days?

Mr. WHITE. No.

Mr. ROSENTHAL. So that you are really not in a position to rebut any of this testimony?

Mr. WHITE. Other than what appears not to be obvious to us.

Mr. ROSENTHAL. Let's take them item by item down the list if we might.

Hotdogs in store No. 3 were 69 cents and in every other store it was 59 cents. How do you account for that?

Mr. WHITE. We know that at that time the Hunter hotdog, which is a different brand than the May Rose hotdog, the price of Hunter hotdogs, 1 pound, on those 2 days was 69 cents. The May Rose, 1 pound, hotdogs were on sale at 59 cents on those 2 days. The only assumption I can make, or conclusion, is that they may have checked Hunter brand in one store and the May Rose brand in the other stores.

Mr. ROSENTHAL. It sounds odd that the one store most identified as the ghetto store is the store they would make the mistake in.

Mr. WHITE. Yes, it does.

Mr. ROSENTHAL. I want to take canned things because they are easier to handle.

Let me ask you about Birdseye frozen corn. That was 23 cents in Pruitt-Igoe, 23 cents in the other ghetto store, and 17 cents in two of your middle-income stores. How do you account for that?

Mr. WHITE. Our only explanation for that that I know of or I am in a position to make is that Birdseye frozen corn was on sale that week at six for a dollar, which would make the correct selling price 17 cents for an individual package.

Mr. ROSENTHAL. Do you think maybe they failed to change the price at the Pruitt-Igoe store?

Mr. WHITE. Two packages for 45 cents is the regular price; therefore, it appears that for some reason in store 2 and in store 3 the price had not been changed.

Mr. ROSENTHAL. How do you account for that?

Mr. WHITE. Somebody in the store did not follow the directions that were indicated in the price change sheets.

Now, the twenties, the only way I can explain that is that there were other frozen food items on sale that week at five for a dollar.

Mr. ROSENTHAL. What about Birdseye frozen peas, the item right above it. In poverty-area stores 2 and 3 it was 22 cents; in middle-income store 1 it was 17 cents; in upper-income stores 4 and 5, 20 cents.

Mr. WHITE. Again six for a dollar was the sale price that week.

Mr. ROSENTHAL. That would make it how much?

Mr. WHITE. Seventeen cents each.

Mr. ROSENTHAL. Why is it they didn't change it in poverty-area stores 2 and 3?

Mr. WHITE. I don't know why.

Mr. ROSENTHAL. Why is it, and I say this very respectfully, because we have had this testimony in Washington and New York, that if there is any explanation—because there isn't any reason to assume that the ladies who did this or the men who did this are lying, nor is there any reason to assume that anyone is lying.

Mr. WHITE. We have not made that assumption either.

Mr. ROSENTHAL. Right; so that the only consistent explanation we have had is human error, and one of the things you cite, and I think it is true, and I am sympathetic, you have high school kids, inexperienced kids changing these prices and sometimes they are not as efficient as you would like them to be. But why is it that when human error rears its ugly head it always brings the weight down on the side of the ghetto store? They are the slowest in changing prices. Why is that?

Mr. WHITE. Well, I don't know that I am qualified to answer specifically. We strive, as I indicated in my opening statement, to have the prices, correct prices in all stores at all times.

Mr. ROSENTHAL. Now let's go down to orange drink, Hi-C, 46 ounces. That's an easy thing to compute. In poverty stores 2 and 3 it is 32 cents; in all the other stores it is 30 cents.

Mr. WHITE. Orange drink was on sale; Hi-C orange drink was on sale that week at three for 89, which would make it 30 cents an individual can.

Mr. ROSENTHAL. That makes me believe that these people when they took the prices—in other words, the prices for stores 1, 4, and 5 are correct.

Mr. WHITE. In that instance, yes.

Mr. ROSENTHAL. So that it seems to me it affirms the credibility of their investigation; but now why is it that stores 2 and 3 were 32 cents?

Mr. WHITE. Again the only thing I can say is that they did not follow the price change.

Mr. ROSENTHAL. On the four items we have gone over so far there was a reduction in price in effect at the time of the HDC study; and the customers at poverty stores 2 and 3, if the HDC witnesses are telling the truth, did not get the benefit of the reduction in price.

Mr. WHITE. Well, again I did not personally see these items. I was not with them when they made their check, so I have no——

Mr. ROSENTHAL. Assuming they are accurate, that is what looms as a potential explanation; that the store managers in stores 2 or 3 are sluggish in changing prices downward when a change is directed by your command.

Mr. WHITE. Well, I don't know that I could agree wholly with that assumption.

Mr. ROSENTHAL. That's a possible explanation. I am trying to find an explanation. In other words, if I were in your position, and people brought this to me, I'd want to find an explanation in a hurry.

Mr. WHITE. Well, we have our stores audited by an audit team, as I indicated, wall-to-wall price checks, approximately every 13 weeks during the year. Now, at this time they checked the prices, both over and below what they should be, whether they be advertised or at book retail.

Mr. ROSENTHAL. Do the managers know when your audit check is coming?

Mr. WHITE. They may know 2 days in advance.

Mr. ROSENTHAL. You've got to get your money back the same way we have to get our money back on the BLS study. You can't check something and let somebody know you are coming.

Mr. WHITE. Well, we make surprise checks also, as I indicated in the opening statement, by outside shopping services of our stores, not only for price, but for other operating functions that we perform.

I would like to mention also the bread you see listed, the Wonder sandwich loaf. This item is not authorized for any of these stores. In that particular week we did not purchase from our suppliers that item by any of these stores.

Mr. ROSENTHAL. How do you explain that?

How do you explain it, Mr. Baum?

Mr. MYERS. You didn't have sandwich bread in that store?

Mr. WHITE. We did not sell on October 19 and 20 Wonder sandwich bread in those stores at 38 cents or at any price.

Mr. BAUM. We recorded what we saw, in teams at the time we saw these on the shelves, immediately.

Mr. ROSENTHAL. Let me ask you a question. Other than the canned ham which you acknowledge was not for sale but you reported it, other than that, did you put anything down on this list that was not for sale in the store?

Mr. NADLER. Not for Kroger's.

Mr. BAUM. The answer to the question is "No."

Mr. WHITE. I personally reviewed our direct store charging invoices from the Continental Baking Co. which supplies Wonder bread in this market. For these two stores, for the week from the 15th through the 21st, and we did not purchase any Wonder sandwich bread.

Mr. ROSENTHAL. What days of the week were October 19 and 20?

Mr. WHITE. That was a Thursday and Friday.

We have what we call direct store delivery on contracts which are contracts with the companies that we purchase the merchandise from and that we offer for sale in our stores. We do not have one of these contracts for the Continental Bakery Co. for Wonder bread, sandwich bread for any stores in the Metropolitan St. Louis area. We do have a contract for Colonial sandwich bread. However, I also checked the Colonial invoices——

Mr. ROSENTHAL. What was that selling at on the 19th and 20th?

Mr. WHITE. If my memory serves me correct, it sells for 38 cents, but I did check the invoices for these same two stores and we did not purchase Colonial sandwich bread.

Mr. ROSENTHAL. It is possible that in all these stores they were selling last week's bread?

Mr. WHITE. I don't think so.

Mr. ROSENTHAL. Is it possible they had some left over from the week before?

Mr. WHITE. I would say no, because they had no right to purchase it the week before or the week after.

Mr. ROSENTHAL. Well, then, we have——

Mr. WHITE. These are things that raise questions in our minds.

Mr. ROSENTHAL. It raises questions in our minds.

Mr. WHITE. As to the credibility of the results of the survey.

Mr. ROSENTHAL. It raises questions on both sides. I really don't want to go into this, because our job as a committee is not to adjudge who is telling the truth. Our job is merely to find out whether this complaint is a national complaint and what is being done about it. But it does raise a question because you, of course, have a very real interest in the outcome of this.

Mr. WHITE. Very much so.

Mr. ROSENTHAL. These people have considerably less interest. Regardless of what happens here, I suppose they'll go about their business one way or another. Your career with Kroger is very much on the line.

Mr. WHITE. Well, my purpose here today is to tell the committee, and as I said, anybody else who will listen, that we do not deliberately discriminate against any of our customers.

Mr. ROSENTHAL. Let me say for myself I believe it, I honestly believe that. I don't think any businessman does; but the thing that seems to be cropping up, in hearings in both Washington and New York, is that the system permits things to happen that shouldn't happen. In other words, everywhere we go people have told us, and yesterday we aheard from A. & P. and several others in New York, that human error comes into play—that high school kids don't shape up price changes the way they should. Now, one of the Congressmen who was with us yesterday, Congressman Reid, said that in the area that he lives in—Scarsdale, in Westchester County, a high-income area of New York—they bring in teams at night to scrub off and change the prices. Another chainstore in which many problems were found said they don't do it that way, they have one kid doing it on Saturday during the day, and there seems to be a tremendous variance in the effort that each store manager or each chain has in changing prices and I think this is where the problem lies.

If there is a change in price downward, when are your stores supposed to change the price and how?

Mr. WHITE. The price is to be changed effective Monday morning of the week from when the price change is issued on Friday.

Mr. ROSENTHAL. Everybody else has said about the same thing.

Mr. WHITE. Let me explain just a moment. That is on those regular day, everyday shelf items. That is not on the feature sales and merchandise.

Mr. ROSENTHAL. Let's just take the first phase of it and see how it works. If you have a price change on Del Monte tomato juice effective Monday morning, when do you change the prices on the can?

Mr. WHITE. This may vary slightly between stores. This could be late Saturday or early Monday morning, so that it is effective Monday morning.

Mr. ROSENTHAL. When you say late Saturday, is it done during business hours or after the store closes?

Mr. WHITE. Well, we are permitted to work our employees up until 10 o'clock, which is 1 hour after most of the stores close and a half an hour after some of the stores close. This is a restriction in our union contract.

Mr. ROSENTHAL. In a large store like Pruitt-Igoe, how many people would there be changing prices on a Saturday evening, Saturday afternoon, or Monday morning?

Mr. WHITE. Well, Pruitt-Igoe; the Jefferson-Stoddard store in the Pruitt-Igoe area is not considered to be an exceptionally large store. There may be one, two, or possibly three, depending upon the number of price changes to be made.

Mr. ROSENTHAL. Have you ever had a problem where you felt that these young people who were changing prices, or anyone, didn't get all the work completed by the time the store opened Monday morning?

Mr. WHITE. Yes, that happens on occasion.

Mr. ROSENTHAL. What happens then?

Mr. WHITE. Then they continue changing prices until they are completed.

Mr. ROSENTHAL. Supposing a customer comes along and picks up a can that has not had a price changed?

Mr. WHITE. The price is to be effective Monday, which is stated on the price change sheet.

Mr. ROSENTHAL. What happens if a customer picks up a can marked 43 cents but the correct price is 39 cents? How much does she pay for the can?

Mr. WHITE. I don't understand your question exactly.

Mr. ROSENTHAL. On Saturday, the price of x tomato juice is 43 cents a can and it is marked on the can 43 cents. You issue an order to change it effective Monday morning to 39 cents, reducing it 4 cents, and some of the fellows in the store get busy changing the prices on that can. Assuming that they haven't finished making all the necessary changes and a customer picks up a can still marked 43 cents, you have already said the new price effective Monday is 39 cents. How much does that customer pay for the can?

Mr. WHITE. I would assume she would pay 43 cents.

Mr. ROSENTHAL. Well, that's bad.

Mr. WHITE. Well, the price would be effective Monday so——

Mr. ROSENTHAL. Let's assume the price had not been changed, some of these kids had to do their homework, they were busy with other things and they missed some cans.

Mr. WHITE. Well, there is no way that the cashier has of knowing what the price is other than what is marked on the cans.

Mr. ROSENTHAL. The cashier presumably has all the new prices at the register.

Mr. WHITE. That is not correct.

Mr. ROSENTHAL. That's a good idea for you to apply.

Mr. WHITE. We'll explore that possibility.

Mr. ROSENTHAL. That's what A. & P. testified to, that the cashier has the price changes, and the cashier has the responsibility for picking up these changes.

What do you do about an item that you advertise, a special item, and when the customer goes to buy the item they are all out of it? How do you handle that situation?

Mr. WHITE. We have a raincheck policy which entitles her to purchase the same item at the same price up to a period of 8 days.

Mr. ROSENTHAL. Do you have a sign in the store saying that?

Mr. WHITE. Yes, there is supposed to be a sign posted in the store.

Mr. ROSENTHAL. Is there a sign at all of your stores?

Mr. WHITE. I couldn't tell you physically at this moment today yes, the sign is posted.

Mr. ROSENTHAL. Where do you post the sign?

Mr. WHITE. Some place in the selling area.

Mr. ROSENTHAL. Safeway has initiated a system where they post it right over the cash register where you can't miss it.

Mr. WHITE. Well, some of our stores have them posted just as you come in the door, some of them just as you are going out the door, some of them at the manager's office, some at the back wall of the store. There is no one specifically designated place.

Mr. ROSENTHAL. What about the testimony we heard here today from Mrs. Slavin that the Gem Kroger store advertises a market-basket saving of 7 percent, and the folks who checked that store found a market-basket cost of 6 percent more?

Mr. WHITE. Again I'm not familiar with their study nor am I familiar with the items that they checked. I have not seen a report of the study.

Mr. ROSENTHAL. Had you seen this report before today?

Mr. WHITE. The only thing I have seen is the sheet of seven stores that HDC gave us and portions of the other report that we got through the Better Business Bureau. When Mr. Stern and I visited with Mr. Baum and Mr. Nadler we were shown the findings or report that they had and asked to review it and comment on it. The report appeared to be approximately a hundred pages long, and in our short interview session we did not have an opportunity to review it in detail, nor did they leave us a copy of the report or permit us to make copies of the report at that time.

Now, I have also called Mr. Clifford Hackett, who contacted me from your office and told him of this when he and I talked last Tuesday. He said that he would speak with Mr. Baum about seeing that we got a complete detailed copy of their report. Mr. Hackett also suggested to me that I contact Mr. Baum myself so that we worked from both ends. I called Mr. Baum's office, he was not in, I left word for him to call and I had not heard from him today.

Mr. ROSENTHAL. Do you have a quick explanation?

Mr. BAUM. The explanation I have is that we sent results of the Kroger study to you about a week before the call from you came to make an appointment. We not only left you with a letter with the complete results a week before our meeting, but we also duplicated in

your office, with my permission, you duplicated a page 10 with limitations of our study, outlining reasons for price discrepancies, and to which you have not responded yet to me, and I did not receive any notice of a phone call that you made to my office.

Mr. ROSENTHAL. Apparently there was a breakdown in communications, regarding the price check that they made at the Gem store?

Mr. WHITE. No, sir. We have seen no other price check. In fact, I was not aware until this morning that we were specifically a part——

Mr. ROSENTHAL. I think that was Mrs. Slavin's study. You didn't send that to the Kroger people, did you?

Mrs. SLAVIN. No. We just provided our data for analysis to Mr. Baum and Mr. Nadler and that was not until the week of, probably the week of November 13. When they came to our meeting they had reported to us that they had already met with Kroger officials.

Mr. WHITE. The first I knew Mrs. Slavin was making price checks was when I read it in the newspaper, I believe it was last Sunday an article commenting that she was making price checks and cooperating with the HDC group.

Mr. ROSENTHAL. Let me ask just a few more questions, because we are pressed for time.

Are there special problems with a chainstore in a ghetto area, problems different than other areas?

Mr. WHITE. What do you mean by different problems?

Mr. ROSENTHAL. Well, there has been talk that insurance rates are higher, pilferage is a problem, labor shortage is a problem, things of that nature.

Mr. WHITE. Well, I have no way of measuring what our pilferage rate is specifically, so I would not be in a position to comment on it. I'm not that familiar with our insurance rates. Sometimes insurance rates for real estate property are part of the lease, sometimes they are separate from the lease and handled by the chain operating the store.

Mr. ROSENTHAL. At the Pruitt-Igoe store do you have a guard of any kind?

Mr. WHITE. Yes, we have a uniformed man in the store, and this also occurs in other stores that we operate.

Mr. ROSENTHAL. All your stores?

Mr. WHITE. Not all of them, no. Some of them we rotate.

Mr. ROSENTHAL. What factors do you consider before you reach a decision as to which stores should have a guard?

Mr. WHITE. The evidence of pilferage that there may or may not be and, again, this is not any direct measure at all, as far as that is concerned, and we rotate them through different stores on different occasions.

Mr. ROSENTHAL. At that store you do have an extra labor cost that you don't have in some of the outlying stores?

Mr. WHITE. If for a given time it would not be a detective or a uniformed or armed man in the store.

Mr. ROSENTHAL. How do you compensate for that additional cost in relation to the ordinary profit picture of the store? This is sort of an unusual labor cost. How do you compensate for it?

Mr. WHITE. We make no compensation.

Mr. ROSENTHAL. I haven't had the opportunity to see this store. Is

this a large, well-lit, big-window store, or different than your other stores in any respect?

Mr. WHITE. Not specifically, other than at the present time three of the plate glass windows have plywood on them and I believe that leaves one or one and a half of them exposed without plywood, because they were damaged and we had to make a temporary repair.

Mr. ROSENTHAL. When were they damaged?

Mr. WHITE. I do not know the specific date. That is a matter of record, however.

Mr. ROSENTHAL. Was that just some unrelated act of vandalism?

Mr. WHITE. I don't even know the time of the day or the night or when it was done or why.

Mr. ROSENTHAL. Are you a self-insurer?

Mr. WHITE. I am not qualified to speak on insurance to any great degree. My brief familiarity with it is I believe we carry some burglary insurance for moneys, holdup for moneys. However, as far as pilferage is concerned, to my knowledge, we carry no insurance.

Mr. ROSENTHAL. Someone mentioned earlier today that you had certain asterisks next to your price schedules. Could you tell us briefly what that is?

Mr. WHITE. Well, I would like to, if I may, correct Mr. Nadler's comment this morning. He said he looked at a price that had some 8,000 items, a price book that had some 8,000 items in it. Mr. Stern and I showed him a produce pricelist that was in effect the day or the time that he was visiting our office, and the asterisks in the lefthand column of this, some of the items had three asterisks on them, some of the items had four asterisks on them. They questioned why three and why four. Mr. Stern nor I, neither one, could answer the specific question. We did tell them that an asterisk indicated a price change on that item from the last published pricelist. Mr. Stern got up, left his office, went to check with our produce merchandiser and his secretary, and his secretary said there was no specific reason for that, the produce merchandiser said there was no specific reason. Sometimes as she hit the typewriter she put three, sometimes four, there was no reason for it.

Mr. ROSENTHAL. Just one last question. Father Shocklee raised a very good point, one that was raised in New York and has been talked about for years. How can we get more supermarkets into the ghetto areas? Is there something we should be doing that we are not? What would you suggest, what would you recommend as to how we can better make available to the people who live there, the advantages of mass purchasing power and supermarket lower prices?

Mr. WHITE. I think if you will refer to the map I gave you, which indicates the Kroger stores in the innercity area, and we have 16 Kroger stores within the city limits of St. Louis which we operate, that we give fairly good coverage across the city without attempting to discriminate one way or the other particularly. Approximately 2 years ago we just opened a new Kroger store, address of Broadway and Guyer, which is approximately three blocks from Soulard Market that Father Shocklee referred to that he had transported some people to the bus. That store has been open approximately 2 years, and it is in a low-income, from, as I recall, $3,000 to $5,000 income area.

Mr. ROSENTHAL. Does that store turn a profit?

Mr. WHITE. It has not turned a profit to date; no.

Mr. ROSENTHAL. Do you expect that it will?

Mr. WHITE. Not in the very near future.

Mr. ROSENTHAL. Then why did you open it?

Mr. WHITE. Our real estate estimation, and I was not in the division at the time it was studied and I did not come until after it was built, our real estate estimation at the time was that it was a good economic investment for the corporate company. My only responsibility now is to see that it is operated in an attempt to live up to the expectations.

Mr. ROSENTHAL. But if it doesn't turn a profit, if you can't make it manageable, will you keep the store there?

Mr. WHITE. That is not solely my decision. That's a management decision and several of us would be involved in making it.

Mr. ROSENTHAL. I was really questioning you not so much now on Kroger but just to get the benefit of your experience in the industry, because I think it is quite clear, and we had this testimony in every city, that there are not enough supermarkets in these areas, and I just wonder if there isn't something we both should be doing.

Mr. WHITE. Well, my general comment would be that any businessman of a corporate chain nature such as we are would have a responsibility to show a return of some sort on his investment for the stockholders.

Mr. ROSENTHAL. Right.

Mr. WHITE. And they make, I'm sure, as we at Kroger Co. do, a very extensive detailed research study and economic justification for every real estate property.

Mr. ROSENTHAL. Well, Mayor Lindsay heads up an urban coalition, comprised of leaders of American businessmen who know how to make a profit. These men are trying to improve the quality of life in these low-income areas. From a consumer point of view, one way is to help them buy more food for their dollar, and the only way to do that is to have efficient supermarket operations in ghetto areas, and I want to pursue for only a moment the question: Is there something that Government should be doing to help, such as Father Shocklee's suggestion of some tax abatement.

Mr. WHITE. Well, again, I don't know.

Mr. ROSENTHAL. Do you think that would be an incentive?

Mr. WHITE. Here again I don't know that I am qualified to speak in that area. I am not familiar with what specifically is going on with other Government agencies now at this time. I don't really feel qualified to speak about what I feel the Government should do.

Mr. ROSENTHAL. Congressman Myers?

Mr. MYERS. I am still trying to find myself.

Mr. White, I was interested in your salary and bonus relationship with your managers. I think you said that a manager could get up to 33⅓ percent of his annual salary, is that correct?

Mr. WHITE. He can earn up to 33⅓ percent of his annual salary; yes.

Mr. MYERS. Is this figure on a sales basis for the year, annual basis, or how does he draw this?

Mr. WHITE. Well, we, through a bonus committee of management people, estimate in our best judgment as to what the sales for a given store should be for the first six periods of a year that we operate within. We operate on 13 4-week periods every year. So we analyze this and

figure what the sales should be, what the operating costs should be of that store, and the total operating statement, and what in our judgment we should be doing as far as a profit result for that store is concerned. Then we attempt to establish what we call a bonus base for that store manager based on the relationship of the profit that he is expected to earn in that store or what we feel he should earn in that store; then he can earn up to one-third of his salary based on that at 10 percent of additional net profit over the bonus base.

Mr. MYERS. You said that store. Then each store is independent. One store is not in competition with other stores in the Greater St. Louis area?

Mr. WHITE. We like to think not. Actually there is cross shopping between Kroger stores.

Mr. MYERS. I mean the managers are not in competition, the best manager doesn't make the most, a store over here made $10,000 and one made $2,000, so each store is independent, on their own quota, so to speak?

Mr. WHITE. Right.

Mr. MYERS. Would it be possible for a store to operate in the red and the manager make a bonus?

Mr. WHITE. The one that to date that has not made any money, we still like to have some incentive for the store manager to improve the operation of that store, the new one I mentioned before, and thereby reducing his loss in the store, which is the reverse of making the profit, then he also would be eligible for a bonus.

Mr. MYERS. So he could do a good job and not necessarily make a profit—still make a bonus, though?

Mr. WHITE. That is correct.

Mr. MYERS. If I'm correct now, this Jefferson-Stoddard store is down in the so-called Pruitt-Igoe area?

Mr. WHITE. Yes, which is a housing——

Mr. MYERS. Is that the one right across the street from DeSoto Park?

Mr. WHITE. I could point the store out specifically on the map. I don't know if it is across the street from DeSoto Park or not. This [indicating] is it.

Mr. MYERS. Either I don't read a map—because within a mile and a quarter there are five other stores or six other stores, chainstores, from that store; is that correct? If this map is correct and I can measure.

Mr. WHITE. That map was prepared yesterday by our real estate department.

Mr. MYERS. I don't know what your clue is, but there are three red stores, two green stores, and one other blue store within a mile-and-a-quarter radius of this store.

Mr. WHITE. Red stores are A. & P., green stores are National, black stores are Bettendorf-Rapp stores.

Mr. MYERS. In this Jefferson-Stoddard store do you hire local people? Are your stock boys, are your checkout girls, are they local people or do you ship them in?

Mr. WHITE. Some of them are local people and again I don't know specifically each one. I do know that the head meatcutter has worked in that area for 15 years, not all of which was with the Kroger Co., but we hired him as an apprentice meatcutter, we trained him as an apprentice, made a journeyman meatcutter out of him in that store and then appointed him head meatcutter.

Mr. MYERS. He is from that area?

Mr. WHITE. Yes, sir.

Mr. MYERS. Do you make any point that you try to hire people locally?

Mr. WHITE. Yes. We feel that's good customer relations in any neighborhood store.

Mr. MYERS. Then if the alleged charges here were true, the stock boys would know we have to go out and mark up prices in this store, they would know that?

Mr. WHITE. Yes.

Mr. MYERS. There seems to be a breakdown some place along the line about pricing, how you price and so forth. I notice here, Wonder bread is one question, but a lot of items are all the same. Let me go back. Would you explain, you said there were two stores under category 1 and two under category 3. What do you mean by that?

Mr. WHITE. As I understand the survey was, it was given to us, listed under No. 1 two stores had all of these prices, Olive and McKnight and Olive and Purdue, which are two different locations.

Mr. MYERS. Two different locations but all had the same prices then?

Mr. WHITE. That is correct. Then under No. 4 they listed 9955 Manchester and 9501 Watson Road. Now, again this points up some question as to the value of this report to us because we know for competitive reasons the store on Watson Road has been given permission to reduce the price because of competitive reasons. On one example which would be sugar, he has it at 55 cents; 59 cents was the book price at that time, his price because of competitive reasons is 55 cents. The store on Manchester does not have that prerogative nor has he had that authority to reduce the price to 55 cents. So to the best of our knowledge, at that time the price in the Manchester Kroger store was 59 or should have been 59; the price in the Crestwood store should have been 55.

Mr. MYERS. Well, a number of items are all the same. Folgers' coffee is the same in all your stores, I notice, the cereals always the same, baby food is the same, bananas were the same, breads the same. Are these staple items that the price doesn't fluctuate? Can you show why those were the same and others were not?

Mr. WHITE. No; other than all stores, as I indicated earlier, are to price it at book price unless they have authority to reduce it for one of these other various reasons. No; because again I think the definition of staple is important. It doesn't necessarily mean that it is or is not ever advertised. We advertise most of these items at some given time or another, which at that time, then, it would be at a different selling price than the everyday price.

Mr. MYERS. You made mention just a moment ago about dropping a price at a certain store. Does the store manager have authority to make requests to drop the price?

Mr. WHITE. He has authority to make the request. However, he cannot do it without counsel from the respective merchandiser—meat, produce, or grocery.

Mr. MYERS. He has to have someone approve the reduction, then?

Mr. WHITE. We ask them to work with the merchandising departments.

Mr. MYERS. Does he have authority to up the price?

Mr. WHITE. Not over book price.

Mr. MYERS. You mentioned perishables briefly. How do you ship in produce? Is there one warehouse in St. Louis that supplies all of the stores or is there more than one warehouse?

Mr. WHITE. There is one warehouse in St. Louis that supplies the stores with produce.

Mr. MYERS. And the ratio breakdown in that warehouse, how does it go out to the stores?

Mr. WHITE. Depending on what they order.

Mr. MYERS. The store manager orders then?

Mr. WHITE. Or the respective department head of a department places the order and it is transmitted to our office.

Mr. MYERS. Someone mentioned about the perishables this morning, the peppers and the lettuce. Do all stores receive the same day? Do all the stores in your chain receive lettuce the same day?

Mr. WHITE. No. We make four produce deliveries a week to most stores. We make three deliveries to some stores, again depending on the volume of produce they are ordering and the distance they are sometimes from the warehouse; such as a store in Fairfield, Ill., which is one of the farthest ones from the warehouse, we make three deliveries a week.

Mr. MYERS. Gosh, you supply Fairfield from here?

Mr. WHITE. Yes; we operate approximately 150-mile radius from St. Louis.

Mr. MYERS. That's a good strong 150 I think.

How about the hamburger that Mrs. Dames mentioned about the quality; is that all ground at the stores?

Mr. WHITE. All the ground beef is ground at the stores.

Mr. MYERS. Do you have certain specifications so the quality is the same in every store?

Mr. WHITE. We operate within the limits of the 30-percent fat content; yes.

Mr. MYERS. That's, I believe, prescribed by St. Louis?

Mr. WHITE. I believe it is a city ordinance or law of some type. I'm not familiar specifically.

Mr. MYERS. You spoke about the supervision and inspection of your stores and the professional purchasing that you do, and you made some reference about a report. Is a report made back when this is done?

Mr. WHITE. Yes; a report is made to our security officer and he is the one that assigns the stores to be checked unannounced by the outside service.

Mr. MYERS. The manager doesn't know he is coming?

Mr. WHITE. They do not know and sometimes they don't know when they have been there, so it is unannounced to the store and it is done by an outside service. Now, this is in addition to our own audit team which I indicated to the chairman here that they sometimes get about 2 days' notice.

Mr. MYERS. Who do they report to?

Mr. WHITE. The audit team reports to our division controller, who reports directly to Mr. Stern. He does not have any reporting functions to me at all, so it is independent from the operation of the store.

Now, the outside service is subscribed to by our security department. The security man reports to the controller, the controller again to Mr. Stern, the division vice president.

Mr. MYERS. But there is a report submitted?

Mr. WHITE. There is a report submitted on every store visited by the outside service. There is a report submitted and filed by each audit of each store.

Mr. MYERS. You made mention of something about customer complaints. If a customer complains, do they complain to the manager or where can they write?

Mr. WHITE. They can complain to the manager, they can write me, they can write Mr. Stern, they can call our office, and most of our customer complaints, unless they are directed specifically to me or Mr. Stern, are channeled through our personnel department and they in turn then contact the supervisor of that store and he follows up with the store manager and with the customer.

Mr. MYERS. How many complaints do you have? Have you had complaints about prices before or is this something new or what is your experience? What are most of the complaints about that you have, or do you have any?

Mr. WHITE. Unfortunately we do have some; yes.

I couldn't tell you exactly the number. I make it a practice of reviewing all customer complaints once each 4-week period.

Mr. MYERS. You follow them up then?

Mr. WHITE. I follow them up. We ask for a written report from the store supervisor as to what action was taken on every customer complaint.

Mr. MYERS. The food stamps, do you have any figures on what percentage of your stores' business is food stamps?

Mr. WHITE. Yes; we do.

Mr. MYERS. Do you have that?

Mr. WHITE. I would like to check with supervisory before I would release it. It can be made available with the permission of my supervisors if the committee would so desire.

Mr. MYERS. Oh, I don't think it is too important, really.

Mr. ROSENTHAL. The committee already has that information.

Mr. WHITE. We made a check this last period.

Mr. MYERS. This canned ham affair here intrigued me a little bit, along with the sandwich loaf bread. Did you follow up and ask your manager why the price might come through at $6.65?

Mr. WHITE. I not only asked the manager, I talked directly with the head meatcutter personally myself and he told me that he did not have the ham, he did not have any Dubuque 5-pound canned hams in the store at the time this was made, nor had he had it for several weeks before.

Mr. MYERS. In store No. 3 the manager denied——

Mr. WHITE. The head meatcutter, who is responsible for ordering and displaying this type product.

Mr. MYERS. Are you familiar with this HDC, and I'm sorry I wasn't here to hear it, are you familiar with that report?

Mr. WHITE. I am familiar with parts of it. I have not seen the entire report; no.

Mr. MYERS. Do you have any explanation for their charges here?

Mr. WHITE. Nothing other than what I have commented on this morning; no.

Mr. MYERS. Do you have any comment about the activities here? Have they been beneficial and helpful to you?

Mr. WHITE. I don't know. They have pointed out things that I feel I have been concentrating on since my assignment to the St. Louis division as manager of operations. I have been assigned to this division now approximately 16 months. I have been concerned, as I was when I was a zone manager, which is a store supervisor, in the Cincinnati division, with the problems we have in getting merchandise priced properly, getting it displayed, not having out-of-stock conditions so that our customers can buy the merchandise they want at the lowest possible price we can sell it to them for.

Mr. MYERS. What is your explanation for this variance in prices here?

Mr. WHITE. I have no definite explanation. I have questioned several of them. Again, I did not see the item in the store on that given day.

Mr. MYERS. But you have followed it up personally with the managers of those stores?

Mr. WHITE. On some specific items; yes. As I indicated on the record, I followed up and looked at myself personally the invoices for those stores from those companies on that week, right.

Mr. MYERS. Thank you.

Mr. WHITE. I would like to also state that we, as has been our practice, attempt to follow up and see that things are properly priced in the stores.

Mr. MYERS. I have one other question which I would like to ask.

Do you display a price sheet in each store so the customer can see what he should be paying for these products?

Mr. WHITE. No. We do display the price of the item on the shelf as a shelf price tag.

Mr. MYERS. You do advertising, display ads in newspapers and so forth?

Mr. WHITE. We display the ads in the stores, yes, and generally more than one ad in each store, so that the advertised items are posted by means of a copy of the newspaper ad in each store.

Mr. MYERS. Thank you.

Mr. ROSENTHAL. I have one or two further questions.

This new store that we spoke about, I don't remember where it was, it is still losing money, nonetheless the manager does make some bonus. How is it that if a store is not profitable a manager can still get a bonus?

Mr. WHITE. I didn't say he was making some bonus. I said he was eligible to earn bonus depending upon the degree he reduces the red figure.

Mr. ROSENTHAL. A manager can make a bonus even if the store is not turning a profit?

Mr. WHITE. If he improves upon the red figure of that store; yes.

Mr. ROSENTHAL. So that even if these stores in the ghetto area were not profitable, nevertheless a manager is eligible to make a bonus?

Mr. WHITE. That is right.

Mr. ROSENTHALL. Now, does the produce manager, the meat manager also make bonuses?

Mr. WHITE. No; they do not.

Mr. ROSENTHAL. The only one in the store is the manager himself?

Mr. WHITE. That is correct.

Mr. ROSENTHAL. Thank you very much.

The committee will adjourn for lunch.

(Whereupon, at 1:45 p.m., the hearing was recessed, to reconvene at 2:30 p.m., the same day.)

AFTERNOON SESSION

Mr. ROSENTHAL. The subcommittee will be in session.

Our next witness is Mr. Robert A. O'Neal of National Food Stores.

Mr. O'Neal, if you are accompanied by counsel, we would be delighted to have him sit with you at the table.

Mr. TREIMAN. It isn't necessary.

Mr. O'NEAL. By his choosing, he chooses to sit back there.

STATEMENT OF ROBERT A. O'NEAL, ST. LOUIS DIVISION MANAGER, NATIONAL FOOD STORES

Mr. O'NEAL. Mr. Chairman, I have a prepared statement.

I would like to say first that I am 45 years old, I started working at a grocery store when I was 14 years old as a clerk. I was a clerk for several years and I managed a store for several years, I was a district manager. I worked in sales and merchandising, produce operations, meat. I was a meatcutter at one time, and some times I pinched myself and wondered how I got to whatever degree of success you might call it, but, at any rate, I am here today.

I might say that the statement is pretty much in my own words. Our general office is located in Chicago, Ill. They have no copy of this statement; they don't even know what I am going to say. It has not been read to anyone other than to my legal counsel, who made a few changes in it—in wording, not meaning.

My name is Robert O'Neal, and I am the manager of the National Food Stores in the St. Louis division.

I want to say, first of all, that my company was happy to accept your invitation to appear at this hearing. And one of the reasons was that it would give us an opportunity to tell not only your committee but also the people of our community the facts, at least so far as my company is concerned, regarding the subject matter of your investigation. Because this is a public hearing and everything is being taken down by an official reporter, I think I can safely assume, and you can safely assume, that what I am about to tell you will be nothing but the simple truth.

Let me begin by assuring you that my company has long been aware of the problems that confront the consumer in the low-income areas. We can't help being aware of them because we have stores in these areas, and we couldn't operate these stores without giving a lot of study, and a lot of attention, and a lot of sympathetic understanding to these problems. Incidentally, I would like to add that we have been fortunate in being able to have the cooperation of the Human Development Corp. We have worked with the Human Development Corp., at

least a year, and we have been happy to work with them and glad to work with them to get these people that we could train and qualify them for employment within our organization. We have some fine people.

We realize that a major problem for all consumers, and I say all consumers, and especially in the poorer districts, is rising prices, not only on food but on everything. We are not here to discuss that problem. What you, Mr. Chairman, and your committee, and our citizens would like to know, is whether it is true that people in the poorer districts have to pay more and have to buy food that is inferior in quality, higher in price by comparison with the food sold in higher income areas. I cannot, of course, speak for any company but my own, National Food stores division, St. Louis, and for my company I will state publicly, for the record, if necessary, under oath, that no discrimination is practiced, nor to my knowledge as the manager of the entire St. Louis division, which is 4 years come January, has it ever been practiced in this area.

Indeed, it could not be practiced, and I will tell you why.

First, as to prices: We operate 33 National Food Stores in the city of St. Louis and in St. Louis County. All of these stores are provided with an identical pricelist for all of the available merchandise, groceries, meat, produce, everything we sell.

This list tells each store manager what price he must charge for each item. He is not permitted to sell any item for 1 penny more than what the pricelist calls for. He doesn't even have the authority to sell below that price, except in two very special situations. One is in the case of perishable merchandise, such as produce and meats. For example, if a store manager finds that he has overordered on strawberries and he has to move them quickly to avoid the loss, he is given the right to lower the price for that purpose. Also, a store manager will occasionally find himself faced with an abnormally competitive situation in his particular neighborhood that may require lowering of prices on some items in order to meet his immediate competition. Even then, however, we ask him first to get approval from the operating staff in our general office. This would be the meat operator, the sales manager, produce operator, whoever would be involved.

In other words, Mr. Chairman, we have, subject only to these two exceptions, a policy of uniform pricing for all National Food stores in the entire St. Louis area. In this policy, the location of a store and the character of its neighborhood play no role whatsoever. This uniformity you will find also in our advertising. It lies at the heart of our whole method and philosophy of pricing. Our business, as you know, is operated on a very small margin of profit. That means that all of our studies and calculations must be based on an overall picture of volume, and you cannot do this unless you can assume that certain factors will be uniform for your entire operation. Among these factors, for example, are labor costs, and the cost of merchandise. The employees in all of our stores are covered under union contracts. Their wages do not vary from store to store, and when we buy our merchandise, our suppliers don't vary their prices dependent on what stores we intend to sell the items in. Likewise, when we fix our selling price we do not and we could not establish different prices for different stores.

Now, having said all of this, I must nevertheless admit that if someone were to go in on any particular day and visit some one of our stores, or any number probably, he might find a few items on which the price in one store is not the same as in another store, and it may not be explained by one of these two exceptions which I have mentioned. What then is the reason? Let me tell you.

Some of you may not realize it, but price marking for supermarkets, speaking as a former store manager, is a tremendous, difficult, and tedious job. It requires the constant attention of district managers, field specialists, auditors, and we have, unknown to our store employees and managers, shoppers who visit our stores, check prices, not only do they check prices, they check quality, service, friendliness, cleanliness, many other items. We have regular auditing crews that check prices unknown, unannounced price checks. In a highly competitive business like ours, the correct price on the merchandise is an absolute must.

Now, our pricing has to cover somewhere between 7,000 and 8,000 different items, and each store, assuming we will carry 40 pieces of each item, that means that there has to be a price mark put on approximately 300,000 individual pieces of merchandise in each and every store.

Mr. ROSENTHAL. That is not the case at any one time; that is a cumulative total?

Mr. O'NEAL. That's right. That's an estimate of how many individual pieces of salable merchandise are in this supermarket.

Mr. ROSENTHAL. And you might have months to do that?

Mr. O'NEAL. That's correct, but it still has to be done and we are assuming that everything should be right all the time, so there are 300,000 pieces of merchandise out there that we would like to say are 100 percent accurately price marked.

Then to complicate the matter more, there is the problem of price fluctuations. Food prices are highly sensitive to market conditions. They will vary in direct relationship to supply and demand. Every time the price on a particular item does change, we must mark this change on every piece of that item in every one of our stores. This is carried out physically by the people working in each store, anywhere from 25 up to a hundred persons, under the direction of the store manager and his assistants. Now, I leave it to any fairminded person, and I have heard this comment today about human error, and we are constantly working on it, and I might just interject here, I read the newspaper from cover to cover, and the Post-Dispatch I think is one of the finest newspapers in the country, but where do all of the typographical errors come from? Does the machine make these errors?

Mr. ROSENTHAL. From those well-paid typographers.

Mr. O'NEAL. That's right. These are human errors.

Mr. ROSENTHAL. The only difference is that typographical errors in newspapers don't cost anyone money.

Mr. O'NEAL. Except I pay for the paper and I can't read the article. I have seen some errors that have cost people money, and I'm not indicating the Post-Dispatch. It happens to every newspaper, but it is a human error.

With so many people involved, we cannot prevent the mistakes of human error. We constantly work on this, but of this one point I'm sure: If you had a staff large enough to examine each and every price

mark in each and every one of our stores, and the survey was made over a proper period of time, I feel that you would find that for every mistake in price that was found to be in favor of a high-income area, there would be one that shows a lower price in a low-income area, and, in addition to that, I think you'd find that there are just as many that are low, and in most cases there are more prices that are low than there are high.

I can only repeat, Mr. Chairman, that price differentials based on income character of a neighborhood has not been, is not, and cannot be within the marketing policy of my company.

Now let me pass on to this matter of quality. I shall deal with it very briefly because, frankly, Mr. Chairman, the charge that we would deliberately sell inferior quality merchandise in low-income areas for the same or even higher prices than merchandise of better quality in the higher income areas is so revolting that I am reluctant to dignify it with any answer except a simple denial.

Mr. ROSENTHAL. I don't think anyone has charged that, have they?

Mr. O'NEAL. We have been charged with this, but I know that there are always the skeptics. We have been charged with this by the Post-Dispatch.

Mr. ROSENTHAL. Of deliberately doing this?

Mr. O'NEAL. Mrs. Dames—no; not deliberately.

Mr. ROSENTHAL. You used the word "deliberately."

Mr. O'NEAL. She did not say "deliberately."

Mr. ROSENTHAL. No, no; but you say here that the charge of deliberately selling is revolting and you won't dignify it, and I don't blame you, but I don't think anybody said you did it deliberately.

Mr. O'NEAL. Maybe I misunderstood, but I know that there are always skeptics and suspicious doubting Thomases, many of them sincere and well-intentioned people, and to them I should like to point out a few facts that make it practically impossible for our oganization with the system that we have developed, in warehousing, to engage in any such discrimination, even if we wanted to.

Our goods are distributed from a large new warehouse. It is just 2 years old. We feel that it is one of the finest, most modern warehouses in the Middle West.

Incidentally, Mrs. Evelyn Buck, who, I believe, is scheduled as a witness here this afternoon, she is the home economist of the University of Missouri, and I believe Mrs. Rose Claman was present here this morning, and there may be many other people in this room who have been through our facilities. I wish it were possible for all of you to go out and take a look.

Let me show you how it is laid out and how it works. I am sure you would soon be convinced, as I believe these ladies were, this was an unannounced visit, I was called 30 minutes prior to their arrival, just to make sure I was there so I could escort them around.

Our warehouse, we have excellent refrigeration facilities, we have all refrigerated trucks for delivery, we operate on a highly mechanized IBM system, computer system, which I am sure many people are acquainted with today and many are not, that pays absolutely no attention to whatever store or whatever item is involved, it deals strictly in numbers. To manipulate or to try to get this machine or this system to send merchandise into certain areas would be economically impracti-

cal, and I think impossible. If there is any discrimination, it therefore could not come from the warehouse, not in the original shipment to the store.

Where else could it come from? The insinuation has been made that when the merchandise is found to have deteriorated or to be of poorer quality in a store located in a high-income neighborhood that it will be transferred to a store in a poorer neighborhood. Meat items have specifically been mentioned in this connection.

I wonder, Mr. Chairman, if your committee or many people in this room are aware of the fact that under our meat contract in St. Louis, which has been in existence for many years, that we have agreed, and we must abide by the union contract, that we are forbidden to make any such transfers of fresh meat. The union requires us, the union contract requires us to sell every item of fresh meat in the same store where it is cut, sliced, prepared, packaged, and weighed. Not only that, there is a city ordinance that also requires us to put on each package of fresh meat the address of the place where it was packaged.

There is only one situation, so far as my company is concerned, where you will find an item that has been transferred from one store to another. It cannot be fresh meat, not sliced, prepared fresh meat, for the reasons I have mentioned. But occasionally a store manager might call another store manager to see if he has an item, a grocery item or some other item that he has run out of and someone is asking for, maybe it is a 20-pound turkey before Thanksgiving, I don't know, and this happens in all kinds of retail businesses, shoes, clothing, furniture, that kind of a transfer will sometimes be made at one of our stores. But a transfer made for the purpose of getting rid of inferior merchandise by sending it to a poor district, that charge, Mr. Chairman, my company denies, and I personally deeply resent it from the standpoint of being a good businessman.

Mr. ROSENTHAL. Has anyone made that charge against you?

Mr. O'NEAL. That allegation has been made against the whole industry, not by this committee, and I don't believe any specific organization, but it keeps cropping up for the last 2 years and I thought today is the day to bring it out in front.

Mr. ROSENTHAL. Has it ever been made against National in St. Louis?

Mr. O'NEAL. Not specifically against National, but the reason for this city ordinance that was passed, some people thought this was being done and this ordinance was passed.

Mr. ROSENTHAL. Was there any testimony in support of the ordinance when it was heard by the city council or whoever heard it?

Mr. O'NEAL. The ordinance was passed and became an ordinance and we knew about it, and I'm sure there are other foodmen in the room that maybe would know the background of it better than I do.

Mr. ROSENTHAL. Your packaged meat, does it have a date stamped on there?

Mr. O'NEAL. We have a dating system.

Mr. ROSENTHAL. What is the system?

Mr. O'NEAL. It is a scale dating system.

Mr. ROSENTHAL. Is it a code system?

Mr. O'NEAL. Yes, sir.

Mr. ROSENTHAL. Would you want to make it public?

Mr. O'NEAL. It varies by the kind of scale that you have in the store.

Mr. ROSENTHAL. If you have meat that you package on Friday, let's say a steak, for example, you put a code indicating Friday packaging; right?

Mr. O'NEAL. Yes.

Mr. ROSENTHAL. Supposing for one reason or another it doesn't sell out on Friday or Saturday, could you repackage that on Monday?

Mr. O'NEAL. It is a goner.

Mr. ROSENTHAL. Supposing it is still good, do you scrape off the black stuff and resell it?

Mr. O'NEAL. It won't work.

Mr. ROSENTHAL. It works for A. & P. in New York, they say.

Mr. O'NEAL. It might work for A. & P., but it won't work for us.

Mr. ROSENTHAL. Why? They say the meat gets better with age.

Mr. O'NEAL. I have heard that for years, but it just won't work.

Mr. ROSENTHAL. You are confusing me now. A. & P. says that is the way to do it; that is what they do in New York.

Mr. O'NEAL. I don't know how it works in New York, I have never lived in New York, but in St. Louis it won't work.

But this allegation has come up many times, and I wanted to get my statement in on that.

I would like to conclude with a few general comments. I think that hearings and studies of this kind are very beneficial, but it seems to me that the real question that needs to be answered is, do the poor pay more for food, and if so, why do they pay more, and it doesn't help to solve this real problem by creating imaginary problems about discriminatory pricing. Some observations that I have made lead me to believe that in some instances the poor do pay more for food, more than they should, and in some instances they don't. I believe that the consumer who lives close to a supermarket that is owned and operated by a large chain or a large company, independent, buys her food at as low a price as anyone who might live in a suburban area. That is because the large companies can buy in larger quantities and do not sell on credit, provide special services such as home delivery, et cetera.

We have also noted that in low-income areas the average customer buys in much smaller quantities, which perhaps they have to, they do not take sufficient advantage of the advertised specials in our stores. Advertised specials are normally available because there is a surplus on the market of a particular commodity. This could be meat, produce, especially meat and produce, and the cost prices come down and, in turn, the retailer can sell at a lower price. We also find that the consumer in the low-income area does not redeem coupons. These are coupons from the food manufacturers, 10 cents off on this, 15 cents off on this, these are items that people use, and they don't redeem coupons from the newspaper ads as much as the consumers in the higher income areas. I think there is a great deal of informative consumer educational work that could be done and that would help many people to lower their costs of food by taking advantage of these things.

Father Shocklee touched on my next subject, and I thought he made a wonderful presentation. I think in the area of consumer education, how to buy, there is a tremendous amount of work that could be done in this. In a recent conference that I had with the Human Development Corp. we have promised our wholehearted support and cooperation in such an educational project.

As you know, and most of us know, within the past few years there has been much, much discussion about food prices. Many studies and investigations have already been made. We in the retail food industry have been proud of the results of these studies up to this point, but we would again welcome and pledge our cooperation with any reputable group or duly authorized body to make a study in depth of the entire problem, and particularly as it applies to the consumer in the poverty and low-income areas.

I would like to touch on a couple of things here that bothered me just a little bit before I conclude. This is not in my statement, and I am not discrediting anybody's testimony or saying that they are wrong or anything like that, but the statement was made that our store at 4331 Natural Bridge did not have any competition. Natural Bridge is a main artery.

Mr. ROSENTHAL. I don't remember that. Who said that?

Mr. O'NEAL. Mrs. Dames, the Post-Dispatch, the green-pepper incident.

Mr. ROSENTHAL. It sounds like the title of a movie.

Mr. O'NEAL. At any rate, you talk about competition now. Natural Bridge is six lanes wide going west, and then there is a cross street, Neustadt Avenue. We are one-half block east of Neustadt. We have a major competitor, equal-size store or larger, in a newer building; namely, Bettendorf, that sits one-half block west from our store on Neustadt Avenue.

Mr. ROSENTHAL. I can't follow geography very well. Is that across this major highway?

Mr. O'NEAL. They are both on the same side of the street. It is not a major highway, it is just a wide street. They are one block apart and they are on the same side of the street. Now, if that isn't competition, I don't know what we are looking for.

Now, in addition to that, two blocks east of us there is a fine new IGA store that's 8 or 10 years newer than our store, and recently this store has, I don't know who operates it now, but recently the ownership of this store has changed and this man is trying to build his business, which I would too if I were him, and we have been forced to meet competition, and this is in the so-called low-income poverty area. So these things happen in the city as well as in the suburban areas.

We are not running away from the city. I am not at liberty to disclose the specific location, although probably most of my competitors probably know where we are going to build it, but we are going to build a new store in the Gateway district area. It will be a fine store, we'll staff it with the best possible people we can come up with, it will be as competitive as we know how, it will be a complete food store in every respect, and I imagine that the gentleman of the Human Development Corp., Mr. Norman Saigh, who is present here today, will help us to acquire good, capable people to work in this store.

I hope that I have been able to throw some kind of light on this problem, and I don't say my piece may be as well as some people, but, in any event, I hope I have been able to answer some of the questions and some of the suspicions that must have been raised in your minds by recent newspaper reports.

By the way, I talked with Mrs. Dames on the phone, and here I go rambling, which I shouldn't do, my attorney will give me hell for this.

Mr. ROSENTHAL. And rightly so.

Mr. O'NEAL. But I enjoyed talking with her very much. I would guess that we talked for probably 30 minutes on the phone and I invited her out to our warehouse, or at least to my office, and I would have taken her to the warehouse. I don't think anyone can appreciate the complexities and the problems and the tonnage. Mr. White mentioned how many pounds—I guess he's gone—I think it was 12 million pounds of merchandise a week. Do you ever stop and think how much 12 million pounds of merchandise is? That's a lot of tonnage, and people have to do this. Our business is a people business. We are dealing constantly with people. That's about all we deal with is people and merchandise, really, employees and customers and merchandise.

Mr. ROSENTHAL. Let me ask you some specific questions. We do have a time problem.

Mr. O'NEAL. I'm finished with my statement.

Mr. ROSENTHAL. Here is a nice, simple issue that a fellow like me can understand.

A reporter, a disinterested citizen, went to your stores, one being what would appear to be a poverty store at 4331 Natural Bridge, and one a middle-income store. Peach halves were 31 cents in the poverty store, 29 cents in the other store; green peppers were 19 cents in the poverty store, 15 cents in the other; hamburger was 65 cents a pound in the poverty store, 59 cents in the other; pork chops were 79 cents in the poverty store, 69 cents in the other; Crisco was 89 cents in the poverty store, 85 cents in the other; lettuce was 33 cents in the poverty store, 29 cents in the other.

How do you respond to that, particularly when you said without equivocation that you have a standard one-price policy?

Mr. O'NEAL. We have a standard one-price policy, we have a standard price list, let me qualify it that way. Now, I think when you are dealing—I have made this statement many times, I made it to Mrs. Dames. There are many sizes of peppers. You buy peppers by the bushel. Now, they call it a bushel because they used to be in a bushel basket, now they are in a box, but they still call it a bushel. You buy them by count. There is a 60 count, an 80 count, a hundred count, and so on.

Mr. ROSENTHAL. Why do you have smaller peppers in the poverty store for 15 cents—well, let's forget peppers. How about Crisco, there is no difference in size between Crisco at 85 and 89, is there?

Mr. O'NEAL. I can't explain that. What survey is this?

Mr. ROSENTHAL. This is Mrs. Dames' survey.

Mr. O'NEAL. I haven't heard anything about it. I don't know what stores we are talking about or anything, not Mrs. Dames' survey. I never saw it.

Mr. ROSENTHAL. This is her survey. When you talked to her on the phone, didn't she——

Mr. O'NEAL. I didn't know what stores she was talking about. She never identified any stores or any companies. She just was searching for information.

Mr. MYERS. She did this morning.

Mr. O'NEAL. This morning is the first time that I knew specifically that Mrs. Dames had made this check of our stores.

Mr. ROSENTHAL. Let me ask you, then, the same thing comes up time and time again. Human error, I guess, is an enormous factor. Why is it that the error falls hardest on the poverty store?

Mr. O'NEAL. You are looking at Mrs. Dames' survey and I have never seen it. I don't particularly agree that it does. I think if you make an objective study and survey of wall-to-wall price checking in stores, I don't think you'll find it that way. I think you will find a lot of mistakes in pricing. If you go out and check a store that has, say, eight, ten thousand items in it, I think you will find errors both ways in both stores. I think that the human error factor is certainly there and it is a constant problem and we have the same, basically the same system——

Mr. ROSENTHAL. Are your managers on a bonus arrangement?

Mr. O'NEAL. Our managers are on a bonus arrangement, but it is a much smaller part of their pay. I don't think we have any manager that can earn, in a year's time, 10 percent would be pretty well the maximum that he can earn.

Mr. ROSENTHAL. When you change your prices, do you change them for Monday morning?

Mr. O'NEAL. Price specials?

Mr. ROSENTHAL. Or your prices?

Mr. O'NEAL. Regular shelf prices are effective Monday.

Mr. ROSENTHAL. When do you physically change the prices on the cans?

Mr. O'NEAL. The manager receives the price change sheets in his mail on Friday. That's the last truck delivery to the store. In some instances we might have to U.S. mail them, which maybe again if the U.S. mail, maybe he doesn't get it until 10 o'clock in the morning. Now, we have never said, and you refer to this, price changes in my way of thinking, and maybe I'm thinking wrong, we make a price reduction—you are speaking primarily of grocery items now?

Mr. ROSENTHAL. Yes.

Mr. O'NEAL. A price reduction or a price increase of a grocery item, it is effective with Monday. This means that any merchandise, that from now on when you get this merchandise in your store it will be billed to you at this price and your price is this much.

Mr. ROSENTHAL. Doesn't it also mean the merchandise that is still left on the shelf?

Mr. O'NEAL. Oh, yes; up or down, either way.

Mr. ROSENTHAL. So that the new merchandise the manager gets, he is getting it from the warehouse at a lower price when the price has been reduced?

Mr. O'NEAL. Right.

Mr. ROSENTHAL. And if he can sell the merchandise at the old prices, he is increasing his net profit?

Mr. O'NEAL. He is violating company policy.

Mr. ROSENTHAL. He is doing that but this practice has the potential of increasing his net profit picture?

Mr. O'NEAL. Not if he is not competitive.

Mr. ROSENTHAL. If he forgets to change the prices on those cans, he is increasing his net profit?

Mr. O'NEAL. He better not forget very long.

Mr. ROSENTHAL. But that is a built-in possibility; isn't it?

Mr. O'NEAL. The same possibility exists in anything.

Mr. ROSENTHAL. Is there anything you can do to change this system to prevent that from happening? You are depending too much on human possibilities here. He can cheat the customer and improve his own income by doing it.

Mr. O'NEAL. I don't think so. I don't think he'll improve his own income. I just don't believe so, because our—maybe I didn't say—our bonus plan is not quite like that. The 10-percent bonus that the manager earns is based on sales and profits.

Mr. ROSENTHAL. He also increases his gross sales if he sells it at 43 instead of 39?

Mr. O'NEAL. It won't work that way. This is like, say that if Chevrolet raises the price of Chevrolet $500 per car, they are going to make more money. Well, they would if they could sell as many Chevrolets, but they won't sell as many.

Mr. ROSENTHAL. When a lady comes in to buy Crisco or flour, and if she needs it, she is going to buy it from National whether it is 39 or 43 and she is not going to walk three blocks away to find out if they are selling it for 39 or 43?

Mr. O'NEAL. Mr. Chairman, I spent 30 years in this business. When I was a store manager, and it is no different today, the phone rings off the hook whenever we have a price that's too high, and our manager says, "Joe down the street or somebody has lowered the price of this or something, or he's got a circular out, what are you going to do for me, how am I going to protect my business?" Sales is the only way you make money in the food business. You don't make money by trying to take excessive markup.

Mr. ROSENTHAL. What do you do when you have an advertisement with a lot of items on special and if the store runs out of an item, what happens?

Mr. O'NEAL. We sell a comparable item.

Mr. ROSENTHAL. Can the customer get a raincheck on that item?

Mr. O'NEAL. We don't use the raincheck policy and I have a specific reason for it. We have experimented a little bit with raincheck policy. I did several years ago, and maybe my experience is bad, maybe I didn't get—maybe I didn't make it work right or something, but what happened, it became a built-in crutch for the store manager, and I'm not throwing rocks at anybody that uses a raincheck policy, but it became a built-in crutch for a manager to not order enough of an advertised item, because then he could hand out rainchecks.

Mr. ROSENTHAL. Well, that would be a pain in the neck to him to do that.

Mr. O'NEAL. It is not hard to do.

Mr. ROSENTHAL. But the lady comes in and wants Wesson oil.

Mr. O'NEAL. How many rainchecks do you think you get back the next week?

Mr. ROSENTHAL. I have no idea.

Mr. O'NEAL. We didn't get too many of them back.

Mr. ROSENTHAL. If a lady comes in and wants Wesson oil, you have a big special, you run out of it——

Mr. O'NEAL. We sell Mazola oil, a comparable item.

Mr. ROSENTHAL. What percentage of the items in your store are your own brand?

Mr. O'NEAL. Oh, I couldn't answer that question, but we don't have, in comparison with other national chains——

Mr. ROSENTHAL. Did you ever stop to think——

Mr. O'NEAL. Do you want me to answer the first question first or not?

Mr. ROSENTHAL. Go ahead.

Mr. O'NEAL. In comparison to other companies, we probably have fewer items under our own brand. We carry—certainly we have our own brands, but we carry a full line of the nationally advertised brands.

Mr. ROSENTHAL. Now, did you ever stop to think that maybe when you advertise a special with Wesson oil or Mazola oil and if you run out of it and you sell a lady something else, that might be deceptive advertising?

Mr. O'NEAL. Well, I guess it could be construed as deceptive advertising, but if the lady is happy when she leaves the store, I think that's what is really important.

Mr. ROSENTHAL. Congressman Myers?

Mr. O'NEAL. I would like to make one more statement on this. This checking, price checking and quality checking of meats and produce, I think there is any woman in this room, or man, that can go to any supermarket in this city or any other city, and if you want to pick out the worst package of pork chops in the case, and you can go to any other store and pick out the best and you are going to have a complete different picture. I am sure that some of you gentlemen sitting at the table, and I respectfully say this, occasionally shop, and you go up to a display of 500 apples, I don't think you pick out the worst ones. We don't find that people shop this way. We find that if we leave inferior merchandise on display that it keeps us from selling merchandise because the very fact that you have a little bit of inferior-quality merchandise on display destroys the beautiful image of all of the merchandise. It has been our experience that a half a dozen bad apples laying on top of a display of beautiful Washington Delicious apples will reduce the sales tremendously, they don't look as good. It prevents you from selling merchandise and then, in turn, reduces your sales and reduces your profits.

Another point I would like to make, and I don't even remember who brought this up, is on eggs. Someone made the comment, and I don't even recall who it was, that this particular store had three different kinds of eggs and this was confusing to the housewife. I think the other store was the one that was wrong, he only had one kind of egg, he had one size. Eggs are U.S. Department of Agriculture graded, the same as meats, USDA grades them. There are small, medium, large, extra large and jumboes, and depending on the supply, this week the medium eggs might be of the greater value, next week it might be the large. Now, if somebody only offers one kind, and this was one of our stores, I don't even remember which one it was, but she seemed or he seemed to think that this was right to only have one size of egg. I think it is wrong. I think the customer is entitled to make the choice of whether she wants small, medium, large or extra large, and I think the ladies in the audience would agree with me.

Mr. MYERS. I agree, Mr. O'Neal, I don't do a whole lot of shopping, but when I do I look for price, and I have experienced also some of the irregularities on the same shelf items marked differently.

Mr. O'NEAL. Absolutely. I have made stores and I have found the same items in our shelves with two different prices on it or prices I can't even read.

Mr. MYERS. If I see apples for 15 cents that have a few brown spots and others for 20 cents, I will take the 15-centers. I am looking for the bargain, so if you mark down I will be looking in your store.

The evidence here, that the chairman introduced here, that, I guess, was Mrs. Dames, is quite contrary to what HDC found for your stores. I find it confusing. I notice here that the variance in what HDC's report, and I assume you have read this report, was only 35 cents between your extremes in your stores, is that right? That isn't a very big variance.

Mr. O'NEAL. That is the only one I have. I don't have Mrs. Dames' report.

Mr. MYERS. I also notice in the hot dogs, the prices were exactly the same, 59 and 69. Why would you have the difference there between 59 and 69 on hot dogs?

Mr. O'NEAL. Well, there is one point that—there are two or three things that I would like to bring up. The Human Development Corp. is a fine group of people. I think their intentions were well-meaning. There are some disparities in pricing in here. I believe, if my memory serves me right, and this is not uncommon, I believe that Mr. White from Kroger made the statement, and I can't remember which meat-packer it was, but one of these meatpackers chose to make available to all—which makes it legal—of the companies a reduced cost price on their frankfurters.

Mr. MYERS. That is what he said, yes.

Mr. O'NEAL. Yes, and I think the same situation——

Mr. MYERS. You didn't check out the variance in prices?

Mr. O'NEAL. No. Now we are going back a month ago, and to call up a meat man—by the way, I didn't get this until this past Tuesday morning.

Mr. MYERS. That was sooner than I received mine.

Mr. O'NEAL. You don't have to answer the questions, though.

But I think that is where the disparity is there, anyway, but I believe, and I could be wrong, maybe we are just as guilty as can be, I don't know, but I think the disparity here is that they possibly might have checked one brand in one store and the other in the other store.

Mr. MYERS. It could be brands, then? You spoke——

Mr. O'NEAL. And I might point out if there is an inference here that we are doing this to poverty stores, of all the stores listed here, store No. 4 at McKnight and Delmare, this is a pretty dog gone nice area, the people of St. Louis that know their way around, this is a long, long ways from being a low-income area.

Mr. MYERS. You have gone out of your way a number of times here to compliment the Human Development Corp. You also say that they have helped you in getting new employees. Now, do you make it a point to hire employees within the area that your store serves?

Mr. O'NEAL. Yes, sir, we try to. Now, it is hard to do that a hundred

percent because it is hard to get those employees. Now, generally speaking——

Mr. MYERS. What do you mean hard to get employees?

Mr. O'NEAL. You can hang up signs in the stores, and to get qualified people, to get them to come in and put in applications it is not so easy.

Mr. MYERS. In your so-called poverty areas it is easy there, isn't it?

Mr. O'NEAL. Not as easy as you think.

Mr. MYERS. Well, they are looking for jobs.

Mr. O'NEAL. We hire them.

Mr. MYERS. Are they looking for jobs or not?

Mr. O'NEAL. Well, I think they are just like all the rest of us, we are all human beings, some of us want to work a little harder than some of the others and some of us don't. I don't think that has anything to do with race, color, creed or——

Mr. MYERS. I would rather be at a football game this afternoon, but I am concerned about the problem.

Mr. O'NEAL. Now, we had quite a problem. We went to Mr. Norman Saigh of the Human Development Corp., and we recognize him as being in the educational field. At the time we first became acquainted with him was 3 or 4 years ago. At that time, I believe—

Mr. Saigh, are you here anyplace?

Mr. SAIGH. I am here.

Mr. O'NEAL. You were the principal, I think, at Kinloch?

Mr. SAIGH. I was the job coordinator for the Ford Foundation project.

Mr. O'NEAL. That's right.

Within the last year, and through this gentleman, we have asked him to search out people, especially young men and young ladies, and I say young, anything under 45 is young as far as I am concerned.

Mr. MYERS. Yes, that is right.

Mr. ROSENTHAL. That is right.

Mr. MYERS. You are sure right on that. Nobody is going to take exception to that.

Mr. O'NEAL. And during the last year we have had quite a problem in acquiring cashiers, so with the help of Mr. Saigh, and we have a checker-trainer——

And Mrs. Esterlene Hayes, would you please stand up? And this lady has worked for our company how many years?

Mrs. HAYES. Ten years.

Mr. O'NEAL. She is a very highly capable, qualified cashier. She trains all of our checkers. We have a school underneath our office, and through her hard efforts and Mr. Saigh's help and our personnel department, we bring in a group of six, maybe eight young Negro gals and we start from scratch. We pay them, and we made this arrangement with, in case anybody would wonder, we made this arrangement with the sanction of the Retail Clerks Union. Is that right, Mr. Rand? You are around here some place.

Mr. RAND. That is correct.

Mr. O'NEAL. We paid them $1.40 an hour while we trained them, and we start from scratch. We tell them what kind of shoes to wear, we tell them what is maybe proper dress, how do you get back and forth to work, and Mrs. Hayes trains these girls, and some of them—we pay them while we train them.

Mr. MYERS. Let me get to the point. You do try to hire, then, in your local——

Mr. O'NEAL. We not only try, we hire them and we pay them while we train them. We follow up afterwards to see if they are getting along all right. And I might add that many of them that we have trained and spent time and money with, and especially so in males, we bring them along and we think, gee, we have really got something going here, he is going to be an assistant manager, he is going to be a store manager, and then he winds up he is out here selling new automobiles and he is one of the best automobile salesmen in St. Louis.

Mr. MYERS. Every industry has that problem.

Thank you, Mr. O'Neal.

Mr. ROSENTHAL. Thank you very much.

Our next witness is Mr. Jack Conreaux, president of Associated Grocers.

STATEMENT OF JACK C. CONREAUX, PRESIDENT OF ASSOCIATED GROCERS CO. OF ST. LOUIS, MO.

Mr. CONREAUX. Mr. Chairman, members of the committee, I do not have a prepared written statement.

My name is Jack C. Conreaux, president of Associated Grocers Co. of St. Louis, Mo. We are a wholesale food distributor. We are a cooperative in the sense that we have sales to our member stores who are our stockholders and own our company.

Mr. ROSENTHAL. Do you yourself own a store?

Mr. CONREAUX. No, sir, I do not.

Mr. ROSENTHAL. Have you owned a store?

Mr. CONREAUX. I have never owned a grocery store.

Mr. ROSENTHAL. How long have you been president of A–G?

Mr. CONREAUX. Twenty years.

Our method of distribution is to serve some 750 stores in the States of Missouri, the eastern half of Missouri, the western half of Illinois, and in the western half of Kansas.

We have a warehouse in St. Louis that services in a radius of 160 miles of St. Louis, and we have a Wichita division of Wichita, Kans., serving the Kansas stores.

We attempt to give services, help, aid, and assistance to our members. One thing we do not do we do not at any time tell our members at what price they should or should not sell their merchandise, from the fact that spread over three States in farm communities, small towns, large cities, different geographical areas, ranging in stores from $2,000 a week on up to $50,000 to $60,000, we would not actually have the know-how if we were able to do so. That is our operation. We are not in the retail business, have no legal ownership of any retail store.

Mr. ROSENTHAL. To make a long story short, your stores are individually owned and operated?

Mr. CONREAUX. Yes, sir.

Mr. ROSENTHAL. Do you have recommended prices?

Mr. CONREAUX. We do not have recommended prices, no, sir.

Mr. ROSENTHAL. Is it purely accidental that some of your stores charge similar prices?

Mr. CONREAUX. No, sir. I will tell you what we do. In order to be of service, we have a price guide. We obtain this by checking competitors in the St. Louis area. We give this information out as a price guide, it appears on the right-hand side of the invoices that go out.

Mr. ROSENTHAL. You do have certain joint ventures, you advertise together?

Mr. CONREAUX. We have an A–G ad that appears in the St. Louis Post-Dispatch only.

Mr. ROSENTHAL. If any of your stores charge more than the advertised special, or if they are out of a commodity, there is nothing you can do about it?

Mr. CONREAUX. We do do something about it, at least we try.

Mr. ROSENTHAL. What do you do?

Mr. CONREAUX. We have a complaint for a store that does not follow our advertised price. First, to the complainant we tell them not to buy any more at that store and give her at least two names of stores who are close to that store and suggest she go there. Second, we contact that store and tell him to take down that A–G store sign, if he has one.

Mr. ROSENTHAL. How many stores have you disciplined in the last year or two?

Mr. CONREAUX. I would say, to my knowledge, in the last 3 months we have had four or five, and within the last month we have sent a notice to every one of our members to that effect for the simple reason that the State law indicates that you cannot have that sign if you don't follow that law, and we have so advised our members.

Mr. ROSENTHAL. In other words, if one of your member stores, A–G stores, which are individually owned, sells at a price above your recommended price or above an advertised price you take disciplinary action against them?

Mr. CONREAUX. We would only know this, though by a complaint. We don't go in to check those stores for that.

Mr. ROSENTHAL. The four stores you did discipline, where were they located?

Mr. CONREAUX. The last one, I think, was in the county, and we have had two, to my knowledge, in the area which was defined this morning. We have had in the last——

Mr. ROSENTHAL. Defined as the ghetto area?

Mr. CONREAUX. As the inner circle.

Mr. ROSENTHAL. Innercity area?

Mr. CONREAUX. Different places. There is just as much trouble one place as the other.

Mr. ROSENTHAL. It is your intention as president of A–G to make sure that your stores do all sell at one price and at the recommended price?

Mr. CONREAUX. It is my intention to go further than just that, if we can possibly define some method of doing it. I believe there is a much stronger approach we can take.

Mr. ROSENTHAL. In other words, you feel very strongly about it?

Mr. CONREAUX. There is another way of doing this, too, entering into an agreement and advertise for only those stores who agree to do this. We are asking our attorney to check that out, too, sir. We have an obligation even though we are wholesalers, because without retailers we don't have any wholesale business.

Mr. ROSENTHAL. Any of the charges that HDC made against A–G, did you check them out?

Mr. CONREAUX. No, sir.

Mr. ROSENTHAL. As far as you are concerned, if they are true, and if you become aware of it, you intend to discipline the store?

Mr. CONREAUX. I would say that we will continue to discipline as we do now, and if we can find some better way of disciplining and stay within the law, we would try to do so, yes, sir.

Mr. ROSENTHAL. Very frankly, I think you ought to be commended for it.

Mr. Myers?

Mr. MYERS. I have no questions, Mr. Chairman.

Mr. ROSENTHAL. Is there anything else you want to say?

Mr. CONREAUX. No.

Mr. ROSENTHAL. Are Mrs. Etta McGowan and Mrs. Jackson here?

While they are getting ready why don't we get Mr. Shampaine, is he here?

Why don't you ladies sit over here and let's get Mr. Shampaine up.

STATEMENT OF H. ROBERT SHAMPAINE, CHAIRMAN OF MAYOR'S COMMITTEE FOR DEVELOPMENT OF CONSUMER VALUES

Mr. SHAMPAINE. My name is H. Robert Shampaine. I am the chairman of a special committee appointed by Mayor A. J. Cervantes of the city of St. Louis to delve into this question of food prices and variation in quality as it may effect the people of St. Louis. This group will be officially known as the Mayor's Committee for Development of Consumer Values. It is an outgrowth of earlier reports in the press and a meeting called by Mr. Cervantes with top people from the local war on poverty agency, Urban League, Labor Council, Department of Welfare, and Council on Human Relations. The latter two are official agencies of the city government. I met with the mayor on the day following this meeting and agreed to become chairman of his ad hoc committee. Members of the committee are still being selected and I am not able now to offer all of their names, but they will include representatives of food distribution organizations, retail unions, a practicing home economist, a member of the State legislature, a neighborhood community leader, and the business community.

Mr. Edgar Sargent, president of local 655, Retail Store Employees Union; Mr. Sydney Jacobs, assistant to the dean, Washington University School of Social Work; and Representative DeVerne Calloway have accepted membership on my committee.

There will be no dearth of facts, figures, and recommendations flowing from the groups that you have already heard from. We will endeavor to become the catalyst for the information and recommendations and hopefully put action behind the findings. Our committee will, in the meantime, concern itself with learning why food prices in St. Louis are generally high enough to place us No. 3 among the 12 major U.S. cities.

Parenthetically, I might say I have learned unofficially that we have earned the dubious distinction of having gone up to No. 2 for the month of October.

We feel that St. Louis is a good labor town from the standpoint of the workingman and his employers, we feel that St. Louis benefits from a variety of retail chains both nationally anl locally operated, and we know that we are in an advantageous geographical location from the standpoint of fast economical proximity to the major food producing areas of our country. We know that our people should not be penalized in this living cost item that already consumes a major percentage of families' income, particularly among the poor where the percentage spent for food climbs to an almost unbelievable portion of take-home pay.

We plan to provide a public forum where the people of St. Louis, representatives of the food industry, and other affected organizations can respond to any reports developed by the groups now conducting the various investigations and any preliminary report that your committee might produce as a result of what it learns.

With the full weight of the mayor's office and individual contributions of the members of our committee, any legislative action that would be beneficial and warranted by the various reports, as they affect St. Louis, could be introduced.

Mr. Chairman, we would like to request that we be placed on your mailing list for any preliminary findings or data that might be made available by your subcommittee and, of course, any final report that you produce. We assure you that we will keep you advised of our work.

Again I thank you for the opportunity to appear before your committee and congratulate all of you for devoting your time and effort on what is traditionally a long holiday weekend.

Mr. Brown, who is commissioner of human relations for the city of St. Louis and who is coordinating the efforts of our small staff, which is being gathered from his people and other local functions, will be in contact with your Mr. Hackett from time to time and establishing our liaison with the St. Louis groups.

Mr. ROSENTHAL. Mr. Shampaine, you are not an employee of the city I noted.

Mr. SHAMPAINE. No; I am not an employee of the city.

Mr. ROSENTHAL. You are a businessman?

Mr. SHAMPAINE. I am a businessman, I am an employer in the city.

Mr. ROSENTHAL. I want to commend you for accepting the responsibility that you have, the important responsibility as chairman of the mayor's committee for the development of consumer values and I want to commend the mayor for appointing you. It is the kind of thing that we need so much more of—for businessmen to assume this type of public responsibility—and I congratulate you for the work you have done and tell you that we look to you for a good deal more.

Mr. MYERS. Thank you for your fine presentation.

I have one question. You say hopefully put action behind the findings, and then you further define this as possible legislation from the city, is that correct, is that what you are anticipating here?

Mr. SHAMPAINE. This is a possibility. I would hope that we would get the desired results which is to eliminate the inequities in quality, in price, so on and so forth. I would hope we would get it by voluntary action, because I feel that it would come much more quickly, it would be much more effective than through legislative action.

Mr. MYERS. You have not really set up your guidelines yet; the whole committee will do this, you have just now started to appoint the committees because of these.

Mr. SHAMPAINE. The first thing we really want to do is find out what the facts are, analyze the facts, then determine policies and program and proceed from there.

Mr. MYERS. You expect to have hearings similar to what we are having here and go further into the detail; is that correct?

Mr. SHAMPAINE. As far as the local situation is concerned, yes.

Mr. MYERS. Thank you very much.

Mr. ROSENTHAL. Mrs. McGowan, maybe you can begin.

STATEMENTS OF MRS. ETTA McGOWAN AND MRS. DELLA JACKSON

Mrs. McGOWAN. My name is Etta McGowan, I am a resident of the Igoe project. I have heard the reports coming from the different organizations and agencies, and I wanted to say that everything that you heard is true. It is all true and we the tenants that are here representing Pruitt-Igoe today go along with the reports as being true, because we are victims of some of the things that have happened in our community, that is, in the store that we trade. We only have one chainstore there, that is Kroger. That's the only chainstore that is in our vicinity close enough for us to get to, other than transportation, which you know we don't have too much of, other than the bus service that has been offered to us through Father Shocklee.

Mr. ROSENTHAL. How far is the nearest supermarket other than that one Kroger store?

Mrs. McGOWAN. Fourteenth Street.

Mr. ROSENTHAL. You have to tell us in blocks.

Mrs. McGOWAN. Well, I'd say it is about a mile, mile and a half, something like that.

Mr. ROSENTHAL. Is it your opinion that the average housewife is not prepared to walk a mile to do her shopping?

Mrs. McGOWAN. Yes, sir; especially for shopping, because you have to think on the terms of bringing your groceries back home. I don't know even what transportation we could use. It is bus service but I don't know what bus service we could use because I haven't been over there to shop, but we do know that that is the closest one.

Mr. ROSENTHAL. Mrs. Jackson, did you want to say anything?

Mrs. JACKSON. Well, I have four children and I have an elderly aunt that I have to buy for, and she is on a special diet, and there is only one chainstore where you can buy some of the special foods and that is Kroger. About 3 years ago I had started buying completely out of the area.

Mr. ROSENTHAL. Where do you buy?

Mrs. JACKSON. I go out in the county to the stores to shop, Foodtown.

Mr. ROSENTHAL. How do you get there?

Mrs. JACKSON. I have brothers that have cars that I ask to take me.

Mr. ROSENTHAL. Why do you do that?

Mrs. JACKSON. I feel I can't afford the prices in our area and then some of the foods aren't what I would want to feed my people.

Mr. ROSENTHAL. Where do you go shopping?

Mrs. JACKSON. I go to Foodtown. That's out in Cool Valley, I think Then we go to Soulard to get our produce and vegetables.

Mr. ROSENTHAL. How often do you do that?

Mrs. JACKSON. We have been going to Soulard Market twice a month. The buses is provided through Father Shocklee.

Mrs. MCGOWAN. I would like to ask this question. Since you heard the report and the comments of what have been said, I would like to know what can be done about this for us that live in that area. I am only interested in the people that live in this particular area where I live.

Mr. ROSENTHAL. We haven't found the answers yet. We have to go to a number of other cities and meet with other members of the committee besides those who are here and maybe we'll find an answer, maybe we won't.

Mrs. MCGOWAN. We as tenants do feel that we need more chain-stores in the area because there is only one there, and we have always felt we need more than one, even not that but department stores and all could be used in there because it is just a little city by itself.

Mr. ROSENTHAL. Have you ever spoken to the manager of the Kroger store that's there and told him some of the things you have just said?

Mrs. MCGOWAN. No; I haven't.

Mr. ROSENTHAL. How about you, Mrs. Jackson, have you done that?

Mrs. JACKSON. Well, on an occasion I was in there with a friend of mine and she was shopping for beef, and the beef that was out on the display at the time, it was a greenish color. She took the meat out and laid it on the counter and told them they could throw this away and we were politely ushered out of the store.

Mr. ROSENTHAL. Have you been back there since?

Mrs. JACKSON. No; I haven't.

Mr. MYERS. Mrs. McGowan, or Mrs. Jackson, you live in the housing development; is that right?

Mrs. JACKSON. I live in Pruitt, she lives in Igoe.

Mr. MYERS. Neither one of you own automobiles?

Mrs. MCGOWAN. No.

Mrs. JACKSON. No.

Mr. MYERS. How many people do own automobiles there?

Mrs. MCGOWAN. That would be hard to say.

Mr. MYERS. Do any of them form auto pools, if you say this Kroger store is too high, do you form auto pools, do other people invite you to go?

Mrs. MCGOWAN. So far there haven't been anything like that.

Mr. MYERS. Well, I'll be quite honest with you, if I was getting gypped I'd walk a mile.

Mrs. MCGOWAN. Since we have this busing service from Father Shocklee we have a chance to go to other stores, we can go to any store we want, that's all we have to do is tell them.

Mr. MYERS. Do many people use food stamps?

Mrs. MCGOWAN. Yes.

Mr. MYERS. How do they go the 5 miles to get food stamps?

Mrs. MCGOWAN. I guess they go by bus. I don't use stamps.

Mr. MYERS. I think Mr. Shampaine may have an answer to some of your problems.

That's all I have.

Mr. ROSENTHAL. Thank you very, very much, ladies.

Our next witness is Mr. John O'Brien of the St. Louis Better Business Bureau.

STATEMENT OF JOHN L. O'BRIEN OF THE BETTER BUSINESS BUREAU OF GREATER ST. LOUIS, INC.

Mr. O'BRIEN. I do have some copies of a prepared statement, gentlemen.

Mr. Chairman, and members of the committee, you have the prepared statement to which I have taken the liberty of adding some marginal notes as a result of this morning's hearing.

My name is John L. O'Brien. I am president and general manager of the Better Business Bureau of Greater St. Louis. I live on Washington Avenue, St. Louis, Mo. I have occupied that position since September 1959. For 13 years previously I had a similar responsibility in Akron, Ohio, and prior to that 6 years in Cleveland.

In 1964 I served as a member of the White House panel on consumer education for lower income families under the direction of Mrs. Esther Peterson.

The better business bureau in St. Louis is one of 130 such private, nonprofit corporations, each autonomous in its own community, governed by a board of businessmen directors. Our entire support comes from membership subscriptions from the business community. In St. Louis we enjoy the membership of some 2,400 firms for a total income of approximately $245,000. Of that amount we have 35 retail and food distribution members supplying $2,480, about 1 percent of our gross income. Membership in the better business bureau in no way exempts any firm from any action the bureau may take with reference to its advertising or selling, or may any firm exploit the fact of bureau membership in advertisement literature, letters, reference, or in any fashion.

I would like to just read a part of our purpose clause into the record so that we are established. It is quite long here but I will establish the orientation, if I may.

This association is formed for educational purposes, including the following: To promote truthfulness in advertising, buying, selling, and soliciting, to protect the public through public edification against the impositions of those engaged in unfair and untruthful advertising, soliciting and merchandising, and to maintain fair competition and dependability in advertising, soliciting, and merchandising, and so forth and so on. And we accomplish such purposes using methods that are not contrary to the provisions of the constitution or laws of the State.

Now, in carrying out our purpose, we have a staff of 25. Our bureau here in St. Louis is the third largest in the Nation. New York, Chicago are larger in terms of membership dollars and staff than are we. However, we are second in volume of consumer traffic of about 130,000 instances of service per year, exceeded only by Metropolitan New York with a rate of around 200,000, so our consumer impact on the community is substantial. We keep track of the inquiries, complaints, and what we term instances of customer service, customer relations, we

keep track of those in 42 different categories; that is, such as home remodeling, appliance problems, automotive and all the discount things and things of that sort.

In the food field, we have exhibit A attached. In no case in the last 5 years have our problems involving food matters exceeded 1.5 percent of the bureau's total traffic, and a table is attached to substantiate that. Specifically, in the first 6 months of 1967 we recorded a total of 596 instances of service involving food matters, of which 317 were inquiries concerning business firms or their conduct, presumably prior to the sale, 264 were what we term customer relations, cases which involve matters not formally jacketed complaints. We accept complaints only in writing. We had 15 complaints against the food industry in writing. Of this total traffic of 596, the majority of them involved what we call freezer food plans wherein someone is going to get you the food wholesale and freezer free if you sign on the dotted line in the wee hours of the morning. This is apart from our present concern. The other majority of cases were in the question of the sale of bulk meat. These are the fellows that offer a side of beef for 29 cents a pound which is a little cheaper than baloney bulls on the hoof in Chicago, and we have worked with these groups for some time now. We developed a set of advertising standards working with the industry and with advertising media on a voluntary basis which required that they discontinue selling you the meat hook along with the side of beef, so forth and so on. Four of those five firms are now out of business, possibly because of the advertising standards. One of them is currently in hearings before the Federal Trade Commission—that's Bruens of Elkhorn, Nebr.—they have left St. Louis some year and a half ago. The only one we have here is Hutchinson Meats out of Bradbury, Tex., and their advertising and selling practices have not come into sharp focus from our viewpoint since the advertising systems have been developed. That's merely by our effort to bring about certain kinds of improvements.

Our basic job in this field, we have developed advertising and selling standards for the freezer food field which is a relatively active industry.

We have worked with the food industry that we are meeting here today with on problems involving comparative price claims among stores. We have, with the cooperation of the industry, gotten them to voluntarily eliminate comparative price claims in advertising, largely based on the FTC comparative price rules of 1958.

We have from time to time disagreed rather strongly with the members of the industry in certain of their promotional advertising. We don't always succeed in those debates. Now, we have read newspaper reports and magazine articles alleging the discrimination and pricing quality of various types of food stores in the poverty areas. Up to now the better business bureau has made no formal investigation of this matter. My reason for the perspective above is the reason for this. Our volume of traffic has not warranted a direct investigation. With the reports of recent inquiries and the concern expressed in the District of Columbia, the subsequent news articles appeared in the St. Louis Post-Dispatch concerning their own reporters' examination of the problem, supplemented by certain examinations by representatives of the Human Development Corp., we, the Better Business

Bureau, were formally requested by representatives of the food distribution industry to make an examination in depth of the problem and report our findings to the industry and the general public. We have accepted this request as of November 3, 1967. We have defined the problem and commenced the preliminary steps of the investigation, assisted by the volunteer women's advisory council of the Better Business Bureau, a group of 13 ladies representing various segments of the economic strata of the community. The list of the ladies is attached hereto for reference, reference B.

We have defined the purpose of our investigation as follows:

To examine the policies, practices, and procedures of major food chains and food distributors in distributing and pricing food in the various areas of the metropolitan area, to determine the relative consistency of price and quality between various areas of differing income level.

We have agreed upon 15 steps to accomplish this purpose, and have proceeded at this point only through the preliminary evaluation areas. A copy of our 15 steps as reference C is attached for examination.

Briefly, our procedures are as follows:

One, interviewing the organizations and individuals who have raised the complaints about the price and quality of grocery and food products;

Two, examining the food industry at the source of distribution of dry groceries, meat, and fresh produce to determine the policies of the distributors and the condition of the goods when it leaves the warehouse;

Three, specific shopping and purchase of a specific list of items in a broad sampling of stores;

Four, we have opened a special food telephone line to the general public, answered by one of our trained staff members, to discuss food problems only. This telephone line opened on Monday, November 6, and recorded 55 calls on that day. However, since that time the traffic has fallen off considerably. Persons whose telephone call is pertinent to the purpose of the investigation are mailed a form to be completed and returned to the Better Business Bureau as a part of the permanent record for investigation.

Another marginal note here. Several years of close cooperation with the Urban League and with the Extension Service of the University of Missouri, and with that record of cooperation we have sent special bulletins in quantities of 1,000 to those organizations for subsequent distribution to their representatives.

In our store shoppings we will actually make the purchases, we will detail the shopping, we will purchase in every opportunity of produce or meat, the finest and the worst examples that our visual examination can be found by our shoppers, we will photograph those in colors, we have already undertaken some of those. We are planning at a date in the near future public hearings in the poverty area in cooperation with some of the recognized leaders in the area in order that they may at first hand report to the Better Business Bureau their grievances, et cetera. This may be a little redundant, too, in view of the several public hearings, including this one. All matters will be placed before the individuals concerned in the industry. The final report will be drawn from the findings and the answers from the industry and the specific recommendations which the Better Business Bureau, from its

findings, may see fit to make other industry, as has been the bureau's practice over the past half century. A final report will be made public.

Mr. ROSENTHAL. Thank you very much, Mr. O'Brien. From what I can quickly read of the material you have given us and what you have told us, I am very much impressed by the activities of your organization.

This new consumer fraud law that you have in Missouri, could you tell us a little bit about it?

Mr. O'BRIEN. That is a law not unlike the one you have in the State of New York, it is similar to the one in Ohio and Illinois, and I believe Missouri is now the 25th State to enact such a law which gives the attorney general a direct line to the consumer, a direct responsibility for implementing some of the investigations and privileges over some of the consumer malpractices. Up to now it has been individual county prosecutors.

Mr. ROSENTHAL. Any of the organizations or firms who have testified here today, are they members of your Better Business Bureau?

Mr. O'BRIEN. Yes, sir; two of the three are, sir.

Mr. MYERS. Mr. O'Brien, you spoke about the open line that you have, that you have advertised it and about your complaints, and you say 55 the first day and it has dropped off since then. Are you still receiving complaints?

Mr. O'BRIEN. A trickle.

Mr. MYERS. Are they about food prices?

Mr. O'BRIEN. Yes; if you call about a hardware store problem you have to call a different number.

Mr. MYERS. Do you know where they come from?

Mr. O'BRIEN. We were startled to find that we are not reaching the people in the poverty areas with this telephone line. We are reaching people in the middle-class area who have different kinds of food concern than we have out here.

Mr. MYERS. Has the Human Development Corporation advised them that they should call you?

Mr. O'BRIEN. We have asked the Urban League and the University Extension Division to do that; we have not requested it of the Human Development Corporation, although one of our——

Mr. MYERS. Would one care to answer?

Mr. BAUM. I sent out a memorandum to our coordinators informing them of the opening of this line in the very beginning. I guess that must have been the first 2 or 3 days.

Mr. O'BRIEN. For the record, that line is CHestnut 1–7362 and it is answered from 8:30 until 4 o'clock.

Mr. MYERS. I wouldn't be surprised if business doesn't pick up, but it hasn't up to this time.

Mr. O'BRIEN. No, sir.

Mr. BAUM. There is a problem with publicity of getting to the people in the neighborhood, even from our neighborhood station and, in addition, many of the people would not have telephones or would not really be interested in calling in. They'd want action immediately instead of a calling in and registering kind of thing.

Mr. MYERS. Yes, but this is where you come in. We can't do things overnight.

Let me ask you one other thing here. On page 2 you say you were requested by the food distribution industry.

Mr. O'BRIEN. Yes, sir.

Mr. MYERS. No one else, the HDC here did not request you?

Mr. O'BRIEN. No, sir.

Mr. MYERS. No one else requested the Better Business Bureau, you didn't get any complaints until the food industry itself asked?

Mr. O'BRIEN. Fifteen out of 67,000 calls were complaints on food in the first 6 months of this year.

Mr. MYERS. But none of these agencies that have come before us today have asked you to do anything?

Mr. O'BRIEN. No, sir.

Mr. NADLER. Last March with the original study that I did it was brought to the attention of the Better Business Bureau, at which time they said no laws were being violated and could not do anything about it.

Mr. MYERS. Do you recall this?

Mr. O'BRIEN. No, sir. I say we have a staff of 25, I don't mean to hide behind them, but I do not recall the incident. I would like to say in our 42 categories, food has never been in the top 10. They are such things as home remodeling, automobile purchases, traffic education, things of that sort.

Mr. MYERS. I have been somewhat familiar with the BBB and familiar with how they operate because I have utilized them quite often in helping people, and I don't think you always worry only about whether a law has been violated but also are you protecting the interests of the public, too. You are also concerned about this, too, aren't you?

Mr. O'BRIEN. Yes, sir; we are.

Mr. MYERS. It seems like it would be kind of a frail excuse to use, I have never been told that by Better Business Bureau. I just don't understand why they would say that.

Mr. NADLER. I spoke to some woman there, and I don't have her name with me now because I just buried it.

Mr. MYERS. But through letter form you did not notify them?

Mr. NADLER. No, over the phone, I spoke with her, she was most receptive to the information and wanted to call me back as soon as she could, she'd talk with her supervisor, which she did, and said she was sorry she couldn't be of any help because no laws have been violated.

Mr. MYERS. I want to compliment you. I want to compliment the job you are doing, and let me hasten to suggest if you do find errors and irregularities notify the Better Business Bureau, they are right here in St. Louis and this is their job. They are here to police themselves.

Thank you very much.

Mr. O'BRIEN. May I say just one word in rebuttal of the violation of law? I share your feeling, that's no excuse. Our job is a little bit in the area where the law does not reach and we respond to that sometimes like a Congressman; we are spread out too thin and we do look at our top 10, the most urgent squeaky wheels first, sir.

Mr. MYERS. We never say "No."

Mr. O'BRIEN. We try not to.

Mr. MYERS. Some days I wish I had.

Mr. O'BRIEN. Our failure to reach people by telephone, the people we'd like to reach on this problem, this goes back to the basic problem of consumer education and the apathy of the very people——

Mr. MYERS. But that's what they have these agencies for, to try to help them.

Mr. O'BRIEN. Try to reach them with some form of consumer education and how do you do it?

Mr. ROSENTHAL. Could you explain—I guess the supervisor who told our friend here that they couldn't do anything, was that person acting under your instructions?

Mr. O'BRIEN. Every person in my office is acting under my instructions; yes, sir, and I am solely responsible for every action in that office, therefore we were wrong at that point.

Mr. ROSENTHAL. In other words, you disagree with that decision that she or he made?

Mr. O'BRIEN. Yes, sir; although here again we might see yours as being a mañana problem. We have others right now, with our limited staff and income, including a deficit last year, we are unable to respond affirmatively to every request.

Mr. BARASH. Mr. O'Brien, let me ask you one question relative to this special food telephone line. Is it manned by a single individual at all times?

Mr. O'BRIEN. Yes, Mrs. Beverly Brian who has been with us 7 years. She is an experienced person.

Mr. BARASH. What is her background, very quickly?

Mr. O'BRIEN. She has a degree in government and she has been our fabrics person. We have a rather substantial fabric care in our office; we work with the drycleaners and retailers trying to evaluate experiences with fabrics after they have been cleaned and if they are unsatisfactory in cleaning perhaps it should be rolled back to the manufacturer.

Mr. BARASH. The reason I ask is this, and it is relative to the statement made by Mr. Nadler that he was told that this practice wasn't illegal, therefore the Better Business Bureau couldn't help. Have you considered, and I in no way am suggesting that the woman you have assigned to this problem is not totally competent, but have you considered the idea of putting someone on this line who may be particularly, especially familiar with the problems of the poor consumer; who might be in a position to empathize with the poor consumer?

Mr. O'BRIEN. All of our people are in that position, sir. Fully 50 percent of our walk-in traffic are from the poverty area and they get service in our office immediately, and Miss Brian is a person competent, she has worked in the food field. When we have had specific food problems with freezers up or down, or bulk meat up or down, it has been with her experience.

Mr. BARASH. Thank you.

Mr. ROSENTHAL. Thank you very much.

(The full text of Mr. O'Brien's statement follows:)

STATEMENT BY JOHN L. O'BRIEN, PRESIDENT, BETTER BUSINESS BUREAU OF GREATER ST. LOUIS, INC.

My name is John L. O'Brien. I am president and general manager of the Better Business Bureau of Greater St. Louis, 901 Washington Avenue, St. Louis. I have occupied that position since September of 1959. Previous to that time I had a

similar position with the Better Business Bureau of Akron, Ohio, for 13 years and was a staff member of the Cleveland, Ohio, Better Business Bureau for 7 years prior to that.

The Better Business Bureau in St. Loius is one of 130 autonomous, nonprofit private corporations in the United States and Canada. Our bureau here is a Missouri nonprofit corporation founded in 1917, supported entirely by membership subscription from private business firms. We presently have membership support from approximately 2,400 business firmsin the metropolitan area for a total annual income of $245,000. Of this number, 33 are retail food stores or food distributors, supplying a total of $2,487, of approximately 1 percent of the bureau's total annual support. Membership in the bureau does not exempt any member for many action the bureau might take, nor may the fact of membership be exploited or advertised in any way. The corporate purpose clause of the Better Business Bureau reads as follows:

"This Association is formed for educatinal purposes including the following: To promote truthfulness in advertising, buying, selling, and soliciting, to protect the public through public edification against the impositions of those engaged in unfair and untruthful advertising, soliciting, and merchandising, to maintain fair competition and dependability in advertising, soliciting, and merchandising, to increase public confidence in advertising and in merchandise, securities, and service offered for sale, to educate the public to a knowledge of how to detect and avoid deceptive advertising and questionable practices in selling and soliciting, and to cooperate and affiliate with other Better Business Bureaus to promote such other educational purposes as tend to the well-being of the people in the areas served, or to the public advantage in relation to any of the purposes and objects above enumerated, and to do any and all acts incident to such purposes and objects that are not contrary to the provisions of the constitution or laws of this State."

In carrying out these purposes, we have a staff of 25 and presently handle some 130,000 inquiries, complaints, and instances of service to the general public each year. We classify these services by some 42 different types of business and industry and keep records accordingly. Against this total, requests for information and assistance with reference to matters involving food from the general public are very minor, having in no case in the last 5 years exceeded 1.5 percent of the bureau's total traffic, A 5-year table is attached for further detail. (Reference A.)

Specifically, in the first 6 months of 1967 we recorded a total of 596 instances involving food matters, of which 317 were inquiries concerning business firms or their conduct, 264 were what we term "customer relations," which involve matters of question or concern from the public that were not formerly jacketed as complaints and 15 were complaints which followed no set pattern but were at random against various types of retail food businesses.

We have from time to time read newspaper reports and magazine articles alleging the discrimination in price and quality by various types of food stores in the poverty areas, but up to now have made no formal investigation of the matter.

With the reports of the recent hearings and concern expressed in the District of Columbia, the subsequent news articles appearing in the St. Louis Post-Dispatch concerning their own reporters' examination of the problem, supplemented by certain examinations by representatives of the Human Development Corporation, we were formally requested by representatives of the food distribution industry to make an examination in depth of the problem and report our findings to the industry and the general public. We have accepted this request as of November 3, 1967. We have defined the problem and commenced the preliminary steps of the investigation, assisted by the volunteer Women's Advisory Council of the Better Business Bureau, a group of 13 ladies representing various segments and economic strata of the community. The list of these ladies is attached hereto for reference. (Reference B.)

We have defined the purpose of our investigation as follows:

"To examine the policies, practices, and procedures of major food chains and food distributors in distributing and pricing food in the various areas of the metropolitan area, to determine the relative consistency of price and quality between various areas of differing income level."

We have agreed upon 15 steps to accomplish this purpose, and have proceeded at this point only through the preliminary evaluation areas. A copy of our 15 steps, as reference C, is attached for examination.

Briefly, our procedures are as follows:

(1) Interviewing the organizations and individuals who have raised the complaints about the price and quality of grocery and food products.

(2) Examining the food industry at the source of distribution of dry groceries, meat, and fresh produce to determine the policies of the distributors and the condition of the goods when it leaves the warehouse.

(3) Specific shopping and purchase of a specific list of items in a broad sampling of stores.

(4) We have opened a special food telephone line to the general public, answered by one of our trained staff members, to discuss food problems only. This telephone line opened on Monday, November 6, and recorded 55 calls on that day. However, since that time the traffic has fallen off considerably. Persons whose telephone call is pertinent to the purpose of the investigation are mailed a form to be completed and returned to the Better Business Bureau as a part of the permanent record for investigation.

(5) We are planning on a date in the near future, public hearings in the poverty areas in cooperation with some of the recognized leaders in the area in order that they may at firsthand report to the Better Business Bureau their grievances, et cetera.

(6) All matters will be placed before the individuals concerned in the industry. The final report will be drawn from the findings, the answers from the industry, and specific recommendations which the Better Business Bureau, from its findings, may see fit to make to the industry, as has been its practice over the past half-century.

This final report will be made public.

FOOD INDUSTRY, 5-YEAR PERIOD

	Inquiries	Complaints	Customer relations	Total
1967 (6 months)	317	15	264	596
1966	1,048	36	686	1,770
1965	1,127	11	544	1,682
1964	828	37	245	1,110
1963	713	11	204	942

Note: Includes food plans (those not including freezer), majority; bulk meat companies, majority; grocers, very few; et cetera, few.

CONSUMER ADVISORY COUNCIL

The better business bureau will maintain a special food grievance telephone line from 9 a.m. to 4 p.m. The number is CH 1–7362.

(1) Mrs. Carrie Bash, St. Louis Urban League.
(2) Mrs. Pierre Grace.
(3) Miss Esther Lee Bride, consultant.
(4) Mrs. Kitty Dickerson, University of Missouri Extension Division.
(5) Mrs. Donald Gunn, wife of the president of the Board of Aldermen.
(6) Mrs. Gilbert Harris, former president of the St. Louis Board of Education.
(7) Mrs. Rose Klamon, president of the St. Louis Consumer Federation.
(8) Mrs. Lois Laster, home economist, Division of Welfare at Pruitt-Igoe.
(9) Mrs. John E. Tobin, south county unit, Webster Groves League of Women Voters.
(10) Mrs. Walter G. Klosterman.
(11) Mrs. Evelyn Buck, University of Missouri Extension Division.
(12) Mrs. Garnell Deramus, volunteer coordinator, Human Development Corp.
(13) Mrs. Jane Straeter, chairman of Business and Civic Committee, Women's Ad Club; head of adult education, Downtown YMCA.

BBB INVESTIGATION OF CHARGES OF FOOD PRICE AND QUALITY DISCRIMINATION IN THE POVERTY AREAS IN GREATER ST. LOUIS

Purpose

To examine the policies, practices, and procedures of the major food chains and food distributors in distributing and pricing food in the various areas of the metropolitan area, to determine the relative consistency of price and quality between various areas of differing income level.

BBB Procedures

(1) Familiarize BBB staff and volunteer women's advisory council with the problem.

(2) To examine the specific charges currently leveled at the food industry by the Human Development Corp. and articles appearing in the St. Louis Post-Dispatch, alleging that the industry pursues a policy of selling lower quality goods at discriminatory prices in the lower economic areas in Greater St. Louis.

(3) To open and publicize a special food telephone No. (CH 1-7362) to the general public, inviting them to report food marketing problems pertaining to these charges:

(a) Develop special BBB food survey form.

(b) Staff this phone line with trained BBB trade practice consultants.

(4) Press conference with women's advisory board and BBB staff to announce these steps.

(5) Examination of specific charges with those who brought them, jointly by the BBB staff and women's advisory council:

(a) With newspaper reporters Dames and Franklin.

(b) With Human Development Corp. representatives Baum and Nadler.

(6) Preliminary evaluation of charges, both group and individual.

(7) Unannounced visitation to food distribution plants.

(a) To receive from food industry management groups, statements of food distribution and pricing policies, and implementation thereof.

(8) Continuing investigations of specific public complaints and evaluations of food industry policy and practice findings.

(9) Public hearings in poverty areas, to hear complaints only.

(10) Investigation of charges raised at public hearings.

(11) Broad comparison shoppings of various stores in different areas, on a statistical sampling basis. Purchase of goods as required.

(12) Presentation of documented statement of complaints and charges to the industry.

(13) Public hearing for industry.

(14) Continual spot check of areas where corrections seemed necessary.

(15) Final report, based on statement of charges and finding of fact.

Mr. ROSENTHAL. Our next witness is Mrs. Evelyn C. Buck.

STATEMENT OF EVELYN C. BUCK, HOME ECONOMIST, UNIVERSITY OF MISSOURI EXTENSION CENTER

Mrs. BUCK. I am Evelyn C. Buck, home economist from the University of Missouri Extension Center.

I am now home economist in family economics and management, director of consumer education program in Headstart.

Prior to this I worked 2 years in the consumer education program that was under HDC program. This program is no longer in existence, but the only program in consumer education is the one that we have now with the Headstart program.

Most of the speakers prior to me have really done quite a selling job on consumer education, so I will give you some information that I have written out here. I might make certain comments as I go along if it is permissible.

In working in the consumer education program prior to the program I am working in now, and in the program now, we find that in the areas, in the city itself, information that is important, at least the programs that are important seem to be the development of skills in order to increase the people in this area's earnings or certain cultural education that will enrich their lives. Most people today are more concentrated on income earning rather than income spending, and as a result of this, little emphasis has been placed on consumer education

itself. This phase of education has been neglected and I feel that it is important.

After listening to the speakers this morning and the talks and everything, I find that I am more impressed with the importance of consumer education, especially in the inner city. We think of people increasing their income and the living standards will be increased because of an increase in income and this is not necessarily so. It has been proven statisticwise that management is really important, regardless of what income level that you are on, and, of course, consumer competence also is an important phase going along with management.

Even though we increase income earnings we still are faced with a number of problems, and some of the problems we have listened to this morning, and with an increase in the income we may still have a limited amount of money to be spent for the needs of the people.

A number of bankruptcies and other financial problems may result. Unwise decisions in marketplace, and, of course, in this inner city people cannot afford any mistakes as far as their money is concerned or as far as consumer competence is concerned.

In working with people of low income it is important not only to educate these people as far as buying not only food, we are not just interested in purchasing food, but we are interested in consumer competence in all phases of buying, whether it is food, clothing, household furnishings, or whatever the family might need.

Let me talk a little bit about some of the experiences that I have had in relation to foods.

While working with the consumer education program I was asked by the neighborhood station that I was working in to do some consumer information for the people in the area, do some checking as far as food prices are concerned, and to come up with some type of answer to some of the problems. Of course, what I started was not finished because not long afterward the program was discontinued, but I will give you the benefit of some of the experiences that I did have.

In teaching consumer education we not only have to teach consumer education in the line of food, but we have to teach other phases of food as far as nutrition for the family, we have to change certain food habits. We find that people buy according to their established food habits.

For instance, in certain areas of the country pork and chicken would be the main meat I found. Consequently, if pork is 75 cents a pound and veal and lamb was 42 cents a pound, the people in this area would buy the pork because they did not have, according to their food habits they didn't like lamb and they didn't like veal. So it was our job to really educate them in the preparation, the nutritional value of this particular meat in order that they could take advantage of whatever particular food was at the best price at that particular time.

Another problem that we had was actually buying meat according to the price per pound. For instance, we know that bony meat does not yield the same number of servings as meat without any bone and fat, but according to the food habits and according to the food buying of certain people, if a bony piece of meat was 25 cents a pound and you would need four servings, you would only get one serving per pound, 25 cents a pound seems to be a very low price; whereas hamburger which would be 49 cents a pound, looking at it poundwise, would seem

to be very expensive. So, consequently, this uninformed consumer would purchase the bony meat in which he would only get one serving per pound at 25 cents a pound opposed to hamburger which was 49 cents a pound and which he gets four servings.

I heard also this morning concerning eggs, and we found that it was quite a need for education as far as purchasing eggs, other produce. Eggs are usually thought of as being a best quality according to size and the large eggs the best buy is thought by a lot of people because they don't understand that eggs really should be purchased by the pound and that grade A eggs, whether large, small, or medium, have the same food value, but, of course, you would buy pricewise according to the pound rather than the dozen.

I thought I would share a few of the experiences to let you know that in my estimation consumer education is needed. Some of the problems that we find in the inner city in purchasing foods could be alleviated if the purchaser or the consumer knew exactly how to buy and what to buy and the quality to buy.

Now in our teaching of consumer education it is our aim to let the consumer make the choice, but we feel that the consumer should know what he is purchasing. There are a number of neighborhood stores where a consumer feels he will get a better buy because he can charge his food or he can get other services that he couldn't get at the supermarket, but regardless of what reason the consumer uses for purchasing at any particular market, and if there were a competitive market in the area, would the consumer be able to avail himself of the best buy according to the price of the particular merchandise. The uninformed consumer would not know how to do this.

I also found that many of the people are not aware of legislation that are available to protect them. They don't understand certain organizations that are here to protect the consumer. For instance, in one particular store a quality of meat was purchased and the meat was spoiled. The consumer took the meat home and when she came to class she said I purchased some hamburger at X store and it was no good. I said, "What did you do with it?" She said, "I threw it in the garbage." I said, "Why didn't you return it?" She said, "I didn't know that I could return it." These are some of the problems that I think are very pertinent in the inner city, that they need consumer information, consumer education, and know their rights as a consumer.

Thank you.

Mr. ROSENTHAL. Thank you very, very much, Mrs. Buck.

Congressman Myers?

Mr. MYERS. I think you have hit on the head exactly what some of the others have been trying to sum up here. In your consumer education that many have proposed and that you are proposing here, in your extension work are you developing any plan now to further this education?

Mrs. BUCK. At the present time we are not developing any plan to further the education. Moneywise we don't have any money to further consumer education.

Mr. MYERS. Well, in your extension work isn't that really what you are supposed to be doing here in Missouri?

Mrs. BUCK. We only have three home economists in the extension and we are working the city of St. Louis and no home economist is

actually concentrated in the poverty area. The only consumer education program that we have now, which is in the process of being refunded, is the one that we have three home economists working with the Head-start program.

Mr. MYERS. Have you worked with HDC?

Mrs. BUCK. We have worked with HDC, we have done some training of volunteer workers to do consumer education programs.

Mr. MYERS. The problem is we talk about it but we don't do anything about it to really help about it. We can talk about it, we are aware of the problem, but we must get the information out to where it is needed, so that's why I was wondering if you were doing anything about it.

Mrs. BUCK. We have worked with volunteer workers from HDC.

Mr. O'NEAL. Could I make a passing comment?

Mr. ROSENTHAL. Are you going to offer to fund some of this?

Mr. O'NEAL. Well, I am going to offer some of the ideas and suggestions.

Mr. ROSENTHAL. They need money.

Mr. O'NEAL. I think we had better have a tax increase then to pay for the war.

An interesting point I think, Mrs. Buck brings out, I was told by one of the gentlemen, I believe it was either—Mr. Nadler, I think, told me in my office, and this is true, there are many people today that can't read in this area, and they identify what they are going to buy by brand by the can. They recognize this can of Del Monte peaches or Maxwell House coffee or whatever it is, and this lady has bought this Maxwell House coffee or whatever brand it might be for years and years, and then an item is maybe reduced in price or it is on special this week through a promotion that's available through the supplier to every food merchant in the country, but she doesn't know or recognize that this brand of peaches is just as good or this kind of coffee is just as good, and I'll wave a flag a little bit——

Mr. MYERS. You know, I can read and I don't know that either.

Mr. O'NEAL. Why shouldn't she switch? She won't switch because she doesn't have the ability to read the label to know that this can of peaches is grade A, fancy, cling, California sliced peaches and they are just as good as the brand that she has been buying for the last year.

Mr. ROSENTHAL. What is your recommendation?

Mr. O'NEAL. I have no recommendation but I think this is a big part of the problem.

Mrs. BUCK. This is not only true with the consumer who can't read, this is true with consumers who can read who buy by brand names because they do not know the difference.

Mr. ROSENTHAL. Thank you very, very much.

I think we have one more witness who asked to speak for 3 or 4 minutes, Mr. Blassie.

STATEMENT OF NICK BLASSIE, EXECUTIVE DIRECTOR OF LABORERS FOOD COUNCIL OF GREATER ST. LOUIS

Mr. BLASSIE. Welcome to St. Louis, Congressman Myers.

My name is Nick Blassie, executive director of Laborers Food Council of Greater St. Louis.

I spent my entire lifetime in the retail food business, in the meat business, and I have followed this investigation on the part of people that are inexperienced, our writers for some of the newspapers. To my great amazement they did in their humble way the best job that they knew how to present to this committee. They know there is something wrong but they don't know what it is and it appalls me to see an industry that's being indicted that is the most highly competitive industry in the whole world. That's the food industry and I spent my entire lifetime in it, in fact, 42 years of it.

In official executive capacity managing the affairs of 3,000 people, closely associated with, directly and indirectly with 70,000 people in the retail food, wholesale food industry, forward and backward, and still privileged to represent that organization because the various trade unions that are directly and indirectly affected by labor contracts or were affected by one or another labor contracts that we make.

I think that Mr. Robert O'Neal with the National Tea Co., he probably hit the nail on the head, and I am going to try to make this as brief as possible, but I think I ought to bring this to your attention.

You have to be an imbecile or out of your mind, if you've got the right kind of a mind, to make an investment, build a supermarket that would be competitive to the Kroger store in this highly poverty area here on Stoddard Street, something that I know something about, and I'm one of the men that's responsible that that store is in existence. I am the man that's responsible that the National Tea Co., the successor to the Food Center Corp. that built and established a $75,000 supermarket and had to put the key in the door a year later because they couldn't make a quarter.

I think if Mr. Walter White had his way about it, with the Kroger Co., and he doesn't have, he'd put a key in the door tonight on Stoddard Street in the Kroger store. He'd have to. Actually that store is being subsidized by customers that are patronizing the other Kroger stores to keep this one open, and I have no sympathy for Kroger and I'm not on their friendship list, but in all fairness I think this is right in bringing this out, that this company is maintaining this store because 20 years ago the Urban League, and I am a member of it, we the labor officials, the representatives of the Urban League, representatives of the Catholic church, the Baptist church, we got this company to originally establish and open this store and build it, and against their better judgment. They knew that this wasn't the right thing to do from the profit standpoint, but a store of this type was needed.

Now, when the housing programs were developed and built and slum areas were torn down and new areas were being built, hundreds of our stores and hundreds of our jobs disappeared as meatcutters in these markets in all of these housing areas, these jobs completely disappeared and these jobs weren't picked up in the industry any other place; they were absolutely destroyed.

Many of our small market operators, successful market operators, and some of the markets that I personally worked in as a journeyman meatcutter and head meatcutter and managed the affairs of certain markets in this high poverty area here back in 1925 and 1926, successful markets, many of our men, members of ours that grew, opened up and operated their own stores, were destroyed, not only by competition, by the community. They were out of business, and 50 percent of them in this area that went out of business went out of business broke

because of giving credit to people that weren't able to pay their bills because they are poor people.

Now, the poor people have always suffered this and I think they will continue suffering until we, the captains of labor, the captains of industry, the captains of government, do something about it.

Now, Father Shocklee brought out here this morning the easiest thing to say is "I want more." I was born and raised in the ghettos of St. Louis, one of 16 children. Nobody gave us aid to dependent children, but our skin was white, we got a better chance. Nobody brought us a paycheck every month for nine children at one time and nobody working. We were born and raised on Third Street in the city of St. Louis but we were given the opportunity because our skin was white, picked ourselves up by our bootstraps and did something about it.

You've got the same situation in this area here, and the only answer to this thing is, with the exception of the mayor of the city of St. Louis waking up now, and he came out of the poverty area, Cervantes did, and he knows something about it. The young man here that he appointed as chairman of his committee, Robert Shampaine, he came out of the poverty area with holes in his shoes and today is a successful businessman in this community. I have seen many of them grow. I have seen these chain companies grow from one store to hundreds, from one store to $15 million corporations. I have seen these men come out of the poverty area, but their skin was white. That's the reason they got a break and we haven't recognized this.

It was my privilege to take the first 15 Negro women into my union, an all-white union, 25 years ago, and we were able to help them. We got the same benefits, same wages, same conditions of employment, same health and welfare program, et cetera, and we maintained through labor contracts we had to get that in this area. The only concessions we gave in our contract was that in a particular type of area like this where you have one man operating, we permitted him to work 5 hours a week longer, and we permitted him to work for $25 a week less because the dollar sale per customer was not there and the profits weren't there because the employer didn't have the cash register to pay. That's a concession that our union did make and we had it in these areas, and I had some 450 meatcutters working in poverty areas.

Now, some of these things that were brought out here this morning about stores in poverty areas, this is a joke. The Kroger store on Lindell Avenue that they were talking about, it is on the fringe of the poverty area. That's millionaire row in St. Louis if you don't know it, from there west on Lindell Avenue. Kroger built that store and I doubt whether they made any money there for a while, and the poor Negro in this area that's got any commonsense at all and might have a little better paycheck, say the common, ordinary Negro laborer that might be making a hundred and a quarter a week, he'll trade over in that store. He won't trade in these small stores here because the small store in this area doesn't have any volume. His labor costs, a meatcutter's labor costs in this small store is 10 percent higher than it is on Lindell Avenue because he doesn't have any volume.

Mr. MYERS. Are you speaking about Kroger smaller stores?

Mr. BLASSIE. Yes, this one that's a small one compared to the big one.

Mr. MYERS. Their testimony this morning was that they are paid the same.

Mr. O'NEAL. Rates are the same.

Mr. BLASSIE. And the rate of pay for a meatcutter in this area has got to be higher because he doesn't have dollar sales. You may have a 55-cent customer average here and you may have a dollar and ten or a dollar and fifteen over there. It makes it that much easier for a meatcutter to make his gross profit.

I don't think that the industry has recognized the serious problem in the city of St. Louis. They are going their own way. Everybody is going to look out for themselves and the captains of industry ain't gonna put themselves out, we aren't going to get involved, we'll get called bad names or get our name in the newspapers. I care less whether the newspapers put my name in the paper. They can put it in every day as far as I am concerned.

Mr. MYERS. They will tomorrow.

Mr. BLASSIE. My name has been in the newspaper many times, but this innuendo here, this advertisement of the pork chops, this lady that was sitting here that brought the newspaper publication in didn't know, she is not informed, she is not qualified, she is not an expert at it, but she is indicting my friends the meatcutters. The pork chop that she is talking about that she thought was the best, I don't buy them and eat them, I buy the other one. Now, when you buy a pork loin that weighs ten pounds, that pork loin costs you 50 cents a pound whether it is from New York or whether it is from Indiana, it is 50 cents a pound, so the meatcutter has to determine, and then he becomes the last answer, not this man sitting behind me because he is the boss, that guy out there in that meat shop had better know what to do with it if he is stuck with it and if it hasn't moved he had better move it by Saturday night or he'll have himself a new meatcutter in that job Monday morning, and he's not going to tell me or tell you that he is the sole guy to determine that, because the meatcutter knows the quality of the merchandise, the freshness of it and when it's got to be moved, and he's got to know how to rotate. The head meatcutter is responsible for the efficient management of the market. That guy out there had better do a job, better have a gross profit, better have sales, better take care of that market, better have a rotated inventory, and he had better be up to snuff when income comes.

Mr. ROSENTHAL. I have given you three and a half minutes more than I promised.

Mr. BLASSIE. You had me for three and a half minutes. You should have me for three and a half days and you'd learn something about this business.

Mr. MYERS. I think I agree with that.

Mr. BLASSIE. Now, here you've got another committee which is going to start. The mayor is going to have a fine committee. What the hell does Robert Shampaine know about the food industry other than he sits down and eats it?

Mr. MYERS. He is looking for it, why don't you volunteer?

Mr. BLASSIE. I have a lot of friends that are reporters for the Post and the Globe. What do they know other than when they got it on their plate?

Mr. ROSENTHAL. We have about 2 minutes to get ready to make an airplane. What remedies do you have?

Mr. BLASSIE. If you want to do the right thing, if the industry doesn't come forth and do it, let the U.S. Government subsidize supermarkets in this area, let them do the same thing that they do under the urban redevelopment program downtown for free taxes for 10 years and maybe you'll get some supermarket operators to build in there. Let's give these poor people the same break that we give the captains of industry that are building the Mill Creek Valley. This is the recommendation. Then we are on the right track.

Mr. ROSENTHAL. The committee stands adjourned.

(Whereupon, at 4:40 p.m., the hearing in the above-entitled matter was adjourned.)

OFFICE OF ECONOMIC OPPORTUNITY: CONSUMER ACTION AND THE WAR ON POVERTY

MONDAY, OCTOBER 10, 1966 [1]

HOUSE OF REPRESENTATIVES,
EXECUTIVE AND LEGISLATIVE
REORGANIZATION SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2203, Rayburn House Office Building, Hon. Benjamin S. Rosenthal (chairman) presiding.

Present: Representatives Rosenthal, Reuss, and Erlenborn.

Also present: Peter S. Barash and Jerome Sollins, majority professional staff members, and J. Phillip Carlson, minority professional staff member.

Mr. ROSENTHAL. The special inquiry will be in order.

This marks the first hearing of the recently established special inquiry on consumer representation in the Federal Government. The responsibility of the special inquiry is to examine the extent to which the various Federal agencies are carrying out their responsibility to protect and promote the interests of the American consumer.

The conflict within our governmental system and free enterprise economy between consumer interests on the one hand and producer influence on the other, is not new to the country, the Congress, or this committee. And yet, while the interests of producers, farmers, laborers, or small businessmen are easily grasped and effectively represented, the consumer interest is complex and often subordinated.

We intend to approach this important subject deliberately and impartially. And yet, we cannot help but view with concern a Federal consumer protection apparatus which is proliferated among 33 departments and agencies. We hope to work together with the executive branch and to develop ways in which consumer representation in the Federal Government can be strengthened and made more meaningful.

We think it particularly fitting and proper that the Office of Economic Opportunity be the first to testify before the special inquiry. While rich and poor, educated and uneducated alike are victims of sharp practices and general uncertainty and confusion in the marketplace, the poor are most frequently and tragically victimized. Moreover, unwise consumer habits and sharp consumer practices not only contribute to the plight of the poor but also help to perpetuate poverty itself.

[1] This hearing, conducted in October 1966, relates to the efforts of the Office of Economic Opportunity in behalf of the low-income consumer.

Our first witness this morning will be Prof. David Caplovitz, associate professor of sociology, Columbia University.

Professor, good morning. We are delighted that you are able to take time off from a very busy schedule to spend this morning with us.

Professor, if you have a prepared statement, we would be pleased for you to begin.

STATEMENT OF DAVID CAPLOVITZ, ASSOCIATE PROFESSOR OF SOCIOLOGY, COLUMBIA UNIVERSITY

Mr. CAPLOVITZ. It will take perhaps 15 or 20 minutes.

Mr. ROSENTHAL. That is fine.

Mr. ERLENBORN. Mr. Chairman, if I might explain, I am a member of the conference committee on the Department of Transportation bill and there is a meeting of the House conferees this morning, and I want the witness to understand when I leave it is only because I had to and it is not because I am disinterested.

Mr. REUSS. Mr. Chairman, unfortunately I have to join in explaining that I, too, must absent myself for a while.

Mr. ROSENTHAL. You may proceed.

Mr. CAPLOVITZ. My remarks will bear upon the problems that low-income persons face as consumers in our society. Until recently the "war on poverty" was focused exclusively on the earning power of the poor and how to expand it through education, job training and the creation of jobs. But the inability of the poor to earn a decent living is only one side of their economic plight. Equally important is how the poor spend what little income they have; that is, their situation as consumers making major buying decisions in the marketplace. To the extent that the poor pay more for the goods they buy—and I am convinced that they do—then to that extent they are deprived of the benefits of their earning power. They are forced to live in a world of inflation that our more well-to-do citizens are able to escape.

The tendency has been to assume that since the poor have little money to spend, they cannot possibly be consumers of costly merchandise. But this reasoning overlooks the role of installment credit in our society. Through the mass media, Americans in all walks of life are bombarded with messages to buy now and pay later. "Easy payments" and "no money down" are the slogans luring even the poor into the marketplace. Nor is it very difficult to lure the poor into making costly purchases, for in some ways the ownership of goods takes on even more significance for low-income persons than for those in higher income brackets. Since the poor have little prospect of greatly improving their low social standing through occupational mobility, they are apt to turn to consumption as at least one sphere in which they can make some progress toward the American dream of success. Appliances, automobiles and the dream of a home of their own can become compensations for blocked social mobility.

Whatever the motive, there is increasing evidence that the poor are consumers of major durables. My own study of almost 500 low-income families, living in public housing projects in New York City, showed that these families owned many expensive appliances. Fully 95 percent owned at least one television set; almost two-thirds owned a phonograph; almost half owned a sewing machine and almost half owned

an automatic washing machine. Most of these families had spent considerable money furnishing their apartments. The typical family bought sets of furniture for at least two rooms when it moved into public housing and had spent approximately $500 for furniture. Some 16 percent had paid more than $1,000 for furniture bought at the time of the move.

The prices they paid for appliances were quite high. Forty percent paid more than $300 for their TV set and 13 percent had paid more than $400. A number of families owned expensive combination television and phonograph sets and one family reported paying $900 for such an appliance.

Partly because they are so dependent upon credit and partly because they are intimidated by the large downtown store, most of the families buy their major durables from neighborhood merchants or from door-to-door peddlers rather than going to the large department stores and discount houses. Symbolic of the narrow shopping scope of the poor is the practice of buying from door-to-door credit peddlers, the men with the traditional slogan of "a dollar down, a dollar a week." Fully half the families surveyed had made at least one credit purchase from these door-to-door salesmen and more than a third had made repeated purchases.

The poor, then, like others in our society, have major wants as consumers, and there are innumerable merchants in low-income areas who are all too eager to provide them with the goods they want and, I might add, often with goods that they do not want.

Because they are poor and have such low ratings as credit risks and because they lack the training to be sophisticated shoppers, persons of low income are easy prey to unscrupulous, exploitative merchants. The marketing system in which they are forced to operate is in many respects a deviant system. I have elsewhere described it as a commercial jungle in which exploitation and fraud are the norm rather than the exception. High-pressure tactics, "bait" ads, and "switch sales," misrepresentation of price and quality, and the sale of used merchandise as new all flourish in this special system of sales and credit. Responding to ads announcing appliances and furniture at unusually low prices, the consumer soon succumbs to the salesman's switch sale technique and buys a much more expensive model.

Along "furniture row" on Third Avenue in East Harlem, in New York, the bait ad appearing in every store window announces three rooms of furniture for "only $149" or "only $199." The customer who inquires about this bargain is shown a bedroom set consisting of two flimsy bureaus and one bed frame. He learns that the spring and mattress are not included in the advertised price but can be had for another $100 or so. The living room set in these "specials" consists of a fragile-looking sofa and one unmatching chair.

Mr. REUSS. May I interrupt at this point?

Mr. ROSENTHAL. Yes.

Mr. REUSS. On this question of installment sales which you are discussing, and particularly that on appliances, TV sets, what today is the amount, typically, of the downpayment in relation to the total price, and what are the terms of the installment sales?

Mr. CAPLOVITZ. I do not have exact figures on that. The amount of the downpayment will, of course, vary with the merchant and the merchant's estimate of the capability of the customer to pay his debt.

The downpayments generally are unusually low, but then the value of the merchandise to the merchant is so small, I mean he has paid so little for the merchandise, that a downpayment of only $50 may represent 40 or 50 percent of the merchant's investment even though he may be charging $300 to $400 for the merchandise.

The terms of the sale tend to be rather long. Many of these contracts extend over 2 or 3 years, and they frequently get refinanced along the way.

Elsewhere I have pointed out that it is almost as if the slumdweller is in a state of continuous debt to the neighborhood merchant. It is almost as if the idea of the company store has been transplanted into our urban centers, with the customers continuously in debt.

Mr. REUSS. Well, you mentioned a TV set priced at more than $300. Just take that, as being sold to a slum customer who is regarded by the merchant as one of the better risks. What kind of a downpayment would he be asked to make nowadays?

Mr. CAPLOVITZ. It is hard for me to answer that. I am sure these practices are not standard. I would guess that from the few ads that I have read, and so forth, it might be $50 downpayment on such a purchase; it might be less. It could easily be $10.

Mr. REUSS. Two or three years to pay, with the possibility of refinancing?

Mr. CAPLOVITZ. Not only refinancing, but if the customer proves he is a good credit risk and keeps up those payments, the merchant then convinces him to buy something else, and in some States this is added on to the contract. This has recently been outlawed in New York, and this is part of what I mean by the pattern of continuous debt.

Mr. REUSS. I would ask one further question. There is talk of a general tax increase in the Federal income tax. This talk has been more intensified in several months.

If the war in Vietnam and other Federal expenditures should bring it about that the administration believes a tax increase in the individual income tax is necessary in order to combat inflationary pressures, how would you, as one who is intensely interested in the plight of the consumer, feel about that kind of social measure as opposed to steps taken to regulate consumer credit as by specifying a certain minimum downpayment and a certain maximum term of a loan? In either case, the consumer gets hurt, particularly the bottom-of-the-scale consumer, but I wondered if you have done any thinking as to which method of achieving the same end, chilling consumer expenditures, is the more just of the two?

Mr. CAPLOVITZ. I am, unfortunately, not an economist, nor do I know that much about economics, but my guess is——

Mr. REUSS. My question related to social matters.

Mr. CAPLOVITZ. That the manipulation of tax as a way of controlling consumer behavior makes much more sense for the broad middle classes; people who have discretionary income.

I am told that as a result of tax cuts, one can predict reasonably accurately how much more money will be spent in the economy as a result of the tax saving to the consumer. But that kind of model, first of all,

presupposes people paying taxes. In the population I am talking about, the low-income consumer generally does not pay taxes except in the form of withholding taxes. In that form, I suppose many of them do.

Mr. REUSS. If taxes are increased, he would have more withheld.

Mr. CAPLOVITZ. True; he would have more withheld, but I am not sure that the consumer behavior of the poor is related to that discretionary income. I suspect that the merchants would make the terms even easier, so that these——

Mr. REUSS. And the mulcting would get worse.

Mr. CAPLOVITZ. It might very well get worse. I am not sure that tax policy as a way of controlling consumer behavior applies—and I would have to think this through—to this very marginal population that I am trying to describe, who, even with a very liberal tax policy, still are spending more than they, perhaps, should, or are still buying things that they should not be buying. They simply do not have the discretionary income that the great bulk of our population does.

Mr. REUSS. Well, following the logic then, what you are saying—is that a general, across-the-board Federal income tax increase—which would, of course, increase the withholding right down to the bottom of the income tax paying population—would probably not be successful in chilling consumer purchasing very extensively, but would simply worsen the plight of the already beleagured marginal consumer.

Mr. CAPLOVITZ. Here is some superficial evidence on this issue. Many of the people I am now describing are people who are on welfare, and according to the terms of their receiving welfare they should not be making credit purchases, but they do and they pay for those credit purchases out of their food allotments. We must keep in mind how this system operates. I do not think that economic policy in the form of manipulating taxes is going to provide much of an answer to these issues.

Certainly, people on welfare do not pay an income tax, and yet they are also involved in these patterns that I am describing.

Mr. REUSS. Let us leave welfare recipients aside for the moment. Isn't what you are saying, then, that if it should become necessary as an economic matter to chill off the production and consumption of television sets and refrigerators, for example, to do so by stipulating a minimum downpayment on consumer credit would be (1) a more effective way, if that is what you want to do, than fool around with taxes; and (2) a more just way? It, at least, lets the poorer person keep the money, although sterilized in his pocket, rather than take it forever by means of a tax. Would you agree with that?

Mr. CAPLOVITZ. I would have to think that through. What you are suggesting is tighter controls on the extension of credit, and I certainly feel there is need for some reform in the credit system, and it may very well mean tighter controls. But I would have to think through what the unanticipated consequences of that might be. I just do not know at the moment, but I certainly feel that that might be a more equitable arrangement than a tax increase simply to correct the abuses that I am talking about. There are many other bases for having a tax increase. I am not sure they bear upon these matters.

Mr. REUSS. Well, yes. I did import something new into the discussion. But because of your great studies of consumer sales, particularly in New York, I welcome your observations.

Thank you, Mr. Chairman.

Mr. CAPLOVITZ. With your permission, I would like to edit my comment as I go along.

Mr. ROSENTHAL. Go ahead, Professor. We welcome that.

Mr. CAPLOVITZ. I could go on describing more incidents and more techniques by which low-income consumers are, in my opinion, exploited, but by now these exploitive schemes are rather well known. But there are some other points that I would like to make.

Many poor people find themselves overextended in credit obligations and unable to maintain payments. But many others stop paying on their purchases not because they are unable to pay, but because they refuse to pay on faulty merchandise. Instead of gaining retribution, however, they are more often than not subjected to legal sanctions brought upon them by the merchant. In my statement, I describe an incident in which a man refused to pay on a set of pots and pans that he had bought because they were of such inferior quality. This led to his salary being garnisheed at every job he had. He goes on to describe that he had several jobs and they are finally taking payments from his current job. I point out that as a result of this kind of consumer problem, many consumers find that they end up losing their jobs as a result of garnishees. Many employers simply will not be bothered with garnishments and do not hesitate to fire workers whose salaries are attached.

We are accustomed to thinking that these difficulties arise because these people are poor. But it is also true that some families become poor because they have these problems. To lose a job because of a garnishment is certainly one way of entering the ranks of the impoverished.

Another point I would like to make is that legal procedures are violated with some frequency in consumer matters, and these violations are carried out by some of the attorneys handling the creditors' interest, and also by the various collection agents of the law, such as in New York City, marshals.

For example, almost all the lawsuits against consumers who do not pay result in judgments by default, that is, the consumers do not show up in court to defend themselves.

Mr. ROSENTHAL. Why don't they show up, Professor?

Mr. CAPLOVITZ. I am going to go into that.

The assumption commonly made is that these default judgments simply mean that the consumer has no case; that he indeed owes the money and, therefore, chooses not to answer the complaint and risk further court costs. But the legal unit of Mobilization for Youth in New York City has come across a number of cases in which the defendant was never served with a summons. Process servers—and this may be unique in New York, I do not know—process servers often evade their responsibility and simply throw the summons away. This happens with sufficient frequency that a special term has evolved in legal circles to refer to it—"sewer service." Low-income families are especially likely to be victims of this practice since they are not apt to know their legal rights or how to protect them.

I could cite another example: In New York State, the law requires that the city marshal send a notice 20 days in advance before attaching the wages of a debtor. The purpose of this law is to give the defendant

a chance to clear up the debt and avoid embarrassment with his employer. But this procedure too frequently is not followed. All too often, the first the poor consumer hears of the action taken against him is when his employer calls him in and tells him about the garnishment. And by that time it is often too late for the consumer to protect his job, let alone his rights in the legal action.

In the past year or so, we have seen some alarming evidence that the poor are aware of the exploitation they face in the marketplace and are rebelling against it. Students of the riots that have swept our country have been struck by the selectivity exercised by the rioters in their destruction. It seems that not all buildings are ransacked and burned, but mainly those of the credit merchants.

Mr. ROSENTHAL. Do you have any statistical support for that statement?

Mr. CAPLOVITZ. There is now a report being prepared for the Crime Commission by Prof. Robert Fogelson, of Columbia University, and I spoke with this colleague of mine and he tells me that such data are being prepared and will appear in the report for the Crime Commission.

Mr. ROSENTHAL. Take a situation such as Watts. If most of the rioters were in the 15- to 20-year-old age bracket, assuming that they were, do you mean they showed discrimination or exercised discrimination in stores that were ransacked or looted?

Mr. CAPLOVITZ. I, myself, do not have firsthand information on this. I am reporting one thesis that is being proposed in the Crime Commission report that, I believe, is to be backed up by evidence; but I should add that it is not at all clear that the rioters in Watts were only 15 to 18 years old. Studies are now being done on who participated in the riots in Watts, and there is strong reason to believe that the McCone Commission report underestimates the amount of participation in that riot.

Mr. ROSENTHAL. By adults?

Mr. CAPLOVITZ. By adults, by the total population of the area. If you assume that — I think at one point the McCone Commission cites arrest statistics and it also estimates — and here I am very weak now — a certain proportion of the population that they feel did participate in the riots, and I think their conclusion is that no more than 10 percent of the residents of the area were involved in the riots, and it may be even a smaller percentage. But I am told that the base figure that is used in computing that percentage is the entire Negro population of Los Angeles and not the Negro population of that particular area; and that the Negro population in that area also includes people over 65 as well as many children under 12 and if you were to subtract the very old and the very young from the basic figure and limit the base figure to that particular area the proportion of participants would be much higher. But again I am talking about information that I have acquired from others rather than information I have firsthand knowledge of.

Mr. ROSENTHAL. But, at any rate, what you suspect the thrust of this report is going to be is that the rioters did show some discrimination in choosing to ransack those stores which had been most guilty of nefarious practices.

Mr. CAPLOVITZ. This is my considered opinion, and I feel the evidence will bear that out.

The problems that I have tried to describe here are extremely pressing and demand the attention of our Government if the war on poverty is to be won and if our ideals of justice are to be maintained.

It is all too easy to say that the poor must be educated as consumers. But in my opinion, it is even more important to provide the poor with meaningful alternatives to the present arrangements that confront them. I have in mind such things as credit unions, cooperatives, and other self-help institutions. These institutions cannot spring up overnight in the ghetto. They need to be carefully nurtured with Government funds and leadership. I understand that the Office of Economic Opportunity is giving great emphasis to the creation of such institutions, and I hope we will hear what they are up to.

In addition, there is a need for new legislation that will redress the balance between creditor's rights and debtor's rights. For example, we take pride in the fact that debtors' prisons have been abolished and yet today our legal structure permits garnishments which often result in depriving the debtor of his livelihood.

Mr. ROSENTHAL. Is this almost the same, in your judgment, as the debtors' prison?

Mr. CAPLOVITZ. I feel to deprive a person of a livelihood places a family, a poor family, in a situation that has many of the consequences of having the breadwinner sitting in a prison. This is one way in which families end up on the welfare rolls in our society. This is one way in which the poor are robbed of self-respect and dignity.

Mr. ROSENTHAL. So that consumer activity or involvement of the poor affects their opportunity to earn a livelihood as much as outside economic factors.

Mr. CAPLOVITZ. Correct. This is the point I am trying to make. Another point: we urge our consumers to shop wisely and yet we tolerate a situation in which it is virtually impossible for consumers to shop for credit for the simple reason that those who extend credit are not required to state how much the credit costs. Certainly "truth in lending" as advocated by Senator Douglas is necessary if consumers are to behave rationally.

I will skip some other points here.

In closing, I would like to——

Mr. ROSENTHAL. If I can interrupt you there? The point you make is that in addition to truth in lending legislation as advocated by Senator Douglas, the States have been somewhat remiss in this area?

Mr. CAPLOVITZ. I skipped that. There seems to be considerable variation in the amount of interest that is permitted in the various States. This ranges from a low of 10 percent on all credit transactions, whether it is time sales or loans, in the State of Arkansas, to the State of Texas which permits over 200-percent interest on small loans, that is, loans under $100.

But in this connection I should point out, as everyone knows, there is a commission working on uniform credit laws, and their report should be out fairly soon.

In closing, I should like to say one word on behalf of those I have treated as the villians in my testimony—the local merchants in poverty areas. In my opinion, it is a mistake to see their practices as wholly due to their unscrupulous personalities. They too are constrained by a set of economic forces. In some respects these merchants must charge

more for the simple reason that it costs them more to operate. I am not thinking only of the fact that being small businessmen, they cannot buy in bulk the way chainstores or large department stores can. I also have in mind the fact that these merchants frequently have to pay more for the money they borrow and in particular that they have to pay more for the insurance they need. If I am not mistaken, the insurance companies of America are now facing a crisis concerning insurance in ghetto areas. Even at the much higher rates they charge, they apparently are not finding it profitable to extend insurance to ghetto merchants. There is a need then for new institutional arrangements to meet the needs of the local merchant as well as those of the local consumer. Why, for example, cannot there be some system of pooling insurance and sharing the risk so that the local merchant does not have to pay an exorbitant price for insurance?

Mr. ROSENTHAL. What kind of insurance are you talking about?

Mr. CAPLOVITZ. Fire insurance, theft insurance, the typical kinds of insurance that a businessman needs on his business in order to function.

Mr. ROSENTHAL. Have you found in your investigation, or did you go into the question at all, that the merchants in Harlem have difficulty in obtaining fire and theft insurance?

Mr. CAPLOVITZ. They pay higher rates for their insurance, and I recently read in the New York Times that as a result of the riots, the insurance companies of America are considering, seriously considering, withdrawing insurance from all ghetto areas, because they claim it is so unprofitable.

But I have heard this complaint from merchants who say: "It is very easy to beat us up, but you must stop to think that we have to pay more in order to operate——"

Mr. ROSENTHAL. Well, I think you have——

Mr. CAPLOVITZ (continuing). "In the ghetto."

Mr. ROSENTHAL. You have engaged in a rather searing indictment of some of these ghetto merchants. My own judgment is, without having much experience at all, that the high cost of insurance they have to pay, the higher cost of insurance they have to pay, and the higher the cost of money that they may borrow, hardly accounts for these practices that they engage in.

Mr. CAPLOVITZ. I agree. I am not in any way condoning their practices, but I am merely trying to broaden our picture. Perhaps it is best the committee do one thing at a time and focus on the interests of the low-income consumer where, indeed, there is much room for reform. But I think the larger picture should not be lost sight of, and the larger picture includes the situation of the local merchants.

It may very well turn out that it is not profitable, that it should not be profitable, to do business in a low-income area, and that the best solution is to educate the poor in the remedies I suggest, credit unions and cooperatives. I am not sure our society is ready to replace our businessmen in the ghetto with consumer cooperatives, and to the extent we feel that the smaller merchant has a place in the ghetto, then we should take his interests into account as well.

Mr. ROSENTHAL. I think your book "The Poor Pay More" was published in 1963.

Mr. CAPLOVITZ. Correct.

Mr. ROSENTHAL. Between that time and the present time have the conditions which you described in the book changed in any way? Have they improved for the poor consumer or have they gotten worse?

Mr. CAPLOVITZ. I am sure they have not improved. In my statement I cite, in the part that I skipped, I cite several examples that are much more recent than those covered in my book and those incidents are illustrative of the continuing exploitative practices.

As I travel about the country, I run across people who tell me they tried to replicate my New York study in their own locale, and to their own surprise they discover that many of those problems exist in their smaller towns, and they exist in other parts of the country.

Mr. ROSENTHAL. You know, insurance is one of the fields that is still controlled exclusively by the 50 States and not by the Federal Government.

Do you think if there was national legislation to control the insurance industry, it would be helpful in this field?

Mr. CAPLOVITZ. I do in many ways, not only as far as insurance touches the interests of the businessmen, but I think there is a great need for examining the kinds of insurance that are sold to low-income families, and to consider whether there are frightening alternatives to the insurance that they now buy.

One of the frightening things about poverty, and this comes out of conversations with poor people, is the terror that if there is a death in the family, the family will not be able to cope with funeral expenses, and the notion of a decent burial is strongly ingrained in all of us, especially among the poor, for this is the ultimate symbol of self-respect. As a result the poor are very vulnerable to all kinds of schemes for insurance.

Although I do not go into this in my testimony, I feel that a serious investigation of the kinds of insurance the poor people buy will disclose they are buying very inadequate insurance, and that this is a heavy drain on their income.

Mr. ROSENTHAL. Is this door-to-door weekly kind of insurance?

Mr. CAPLOVITZ. Weekly industrial insurance, a quarter a week, 50 cents a week.

Mr. ROSENTHAL. Is there much loss of premiums by default?

Mr. CAPLOVITZ. A great loss of premiums by default, a great deal. The family would have been much better off putting those quarters and half dollars in a savings account and collecting interest.

Behind many of the companies that operate in areas like Harlem, and these companies have names that we have never heard of, like the Golden Eagle Insurance Co., but behind those companies are many of the largest insurance companies in America.

Mr. ROSENTHAL. You do not have any proof of that.

Mr. CAPLOVITZ. No, but I have been told that such tie-ins exist. But, no, I do not have proof of that. But nonetheless there are insurance companies that specialize in selling industrial insurance to the poor, and this is a very poor buy.

Mr. ROSENTHAL. You said something that interested me. You said that essentially the company store has been rebuilt in American urban society.

Most of us who went to school some years ago read about the company store and heard that it went out of business 40 or 50 years ago. You say it is coming back?

Mr. CAPLOVITZ. I used this as an analogy, the concept of the company store. What we find now in our urban ghettos is a kind of informal system—not completely informal, because it is bound in by installment contracts, but informal in the sense that the merchant and the customer get to know each other and call each other by their first names. A frequent practice in this marketing system I am describing is the refinancing of loans and debts. The installment books, for example, that these people have, contain a coupon that is located next to the last payment, or half way through the book, and the coupon says: "If you have gotten this far in your coupon book, you are now eligible for another loan."

And many people take advantage of that extra coupon and take out another loan.

Mr. ROSENTHAL. What kind of store are you talking about?

Mr. CAPLOVITZ. Now, that is one aspect of it. Here I am talking about the finance companies that frequently buy up that paper.

I am also talking about small loan establishments that have such a coupon, but what I intially meant is the following type of practice:

A consumer goes into such and such a store and he makes an expensive purchase. He is encouraged to bring the payments to the store and this has the function of letting the merchant get to know that consumer. He knows when his paycheck arrives; he gets to know how much rent he pays, and this allows him to exercise some control over that relationship. If, in the merchant's judgment, this person pays his debts rather regularly, he then talks that person into making another purchase, and from my own interviews with these merchants, that is a very easy thing to do. They have no difficulty convincing the person to make another purchase.

One merchant said to me that the amount of merchandise that you get somebody to buy depends solely on the amount of risk you, the merchant, want to carry, and, so, through this pattern of selling something new when the first purchase is almost paid up, the debtor is continually in debt to the local merchant.

Mr. ROSENTHAL. If I can go back a second. Assuming that the report you talked of supports of allegation you make that the rioters in Watts were discriminating in turning their most vigorous attention to the stores that had engaged in the worst practices; in your opinion is this a restraining—should this be a restraining factor against these same types of merchants in Harlem, looking forward to the day that such an eventuality might take place there?

Mr. CAPLOVITZ. I am not sure I understand your question.

Mr. ROSENTHAL. Well, if you were right in that the Watts rioters turned most of the wrath against those merchants that engaged in the most nefarious practices, and if that became a matter of public knowledge, should this not be a deterrent to merchants in other cities who engage in the same kind of practices?

Mr. CAPLOVITZ. My own feeling is that it is very hard to expect businessmen or anybody, even the medical profession at times—and here I am getting into more trouble, but it is very hard to expect groups with strong interests to regulate themselves.

Mr. ROSENTHAL. I was thinking of self-preservation, the self-preservation symbol.

Mr. CAPLOVITZ. It remains to be seen whether the deterrent theory really applies to crime in our society at large. Criminologists spend a great deal of time worrying about the functions of punishment. Does punishment really lead to the deterrent of crime? We are really not sure.

Mr. ROSENTHAL. I am not thinking of the punishment deterrent but thinking of self-preservation. If I were one of these merchants, would I be thinking that I would make the most I can in a hurry and get out? Would I be oblivious to the fact that there might be an end to this kind of an operation someday? Would I be concerned about my physical well-being if the situation turned into a conflagration, that I might be one of the first to start burning?

Mr. CAPLOVITZ. Responding as a social researcher, Mr. Chairman, you are suggesting to me a new topic for research. I would be very curious to know what the merchants in Harlem think about riots, and I would be very curious to know whether they themselves make any connection between their merchandising practices and the riots, and if they do, has this had some impact upon their merchandising practices?

I have a hunch that a number of these merchants find themselves caught up in a competitive situation, and that if they do not engage in these practices they go under. If they do not have those bait ads in their windows, they are not going to get the customers off the street. If they do not use high pressure tactics, they are not going to make their sales—the merchant next door will make the sales. So, how to break down their competitive situation and get the merchants themselves to come to some agreement that they should change their practices is a good question. But I would be curious to know whether the merchants feel that there is a connection between riots and their practices, and if so, are they prepared as a group to change their practices.

Mr. ROSENTHAL. I would doubt they have any, independent judgment. I think they might rely on some members of the academic community who would suggest in a published paper that there is a connection; then they might react to that sort of thing.

Going back to another point, I think you said the merchants had great persuasive powers over their customers and you said they called them by their first name and they get very friendly.

They call them by their first name in Scarsdale, too, but they do not have the same powers over their customers. What is the difference?

Mr. CAPLOVITZ. In my book, I point out that many of these low-income consumers have more traditionalistic backgrounds than the typical urban dweller. They come from small towns in the South, many of them in the New York area come from Puerto Rico, and in many ways they find themselves intimidated by the large, bureaucratic style of operation of our large cities, a style of operation which has as one of its characteristics impersonality, and the neighborhood merchant seems to understand this. They make a great point of personalizing the relationship, of trying very quickly to establish a first-name basis, of saying to their customers "Call me 'Joe'," and this kind of informality is appreciated, I suspect, by those consumers who come from more tra-

ditionalistic backgrounds. It is a technique used by merchants to manipulate their customers and to get their customers to come back.

One reason why these poor people do not shop in the large stores is not that they cannot afford to shop there, although that is often the reason, but also they are intimidated by the style of the large store, with its impersonality.

Mr. ROSENTHAL. You mean they find it difficult going to the larger store on 34th Street or 42d Street; they would rather stay uptown, in New York City, at least?

Mr. CAPLOVITZ. Correct.

Mr. ROSENTHAL. How many people are there in the United States in this marginal population you have described?

Mr. CAPLOVITZ. There is a considerable variation in the estimates of how many people fall below the poverty line. One figure frequently heard is 20 million. These estimates range from 20 million up to 40 million, depending upon how poverty is defined.

Mr. ROSENTHAL. Presumably they predominate in the large cities.

Mr. CAPLOVITZ. They predominate in the large cities but they also are to be found in all parts of our country. Even in the rural South, buying "on time" is a very common phenomenon, and there is certainly poverty in other sections of our country.

Mr. ROSENTHAL. But the survey that you made——

Mr. CAPLOVITZ. Was in a large urban center.

Mr. ROSENTHAL. Well, now, let me ask you the key question for the day:

Have the cities, the States, the Federal Government done enough to solve the problems you talk of?

What should they be doing that they are not doing?

Mr. CAPLOVITZ. I think there is great need for new credit legislation. I understand that soon there will be a report of the Commissioners on Uniform Laws who have been working several years now on drafting an up-to-date credit bill. But since I do not know what its provisions are, I cannot talk about it.

There is certainly a great need for correcting and making more universal and consistent, credit legislation. That is only one part of the issue, though.

I hope I will learn very shortly what the Office of Economic Opportunity is doing in the way of consumer action. My off-the-cuff hunch is that it is not as yet doing as much as it could be doing in the area of consumer action.

I have recently taken the trouble of finding out what is going on in New York City, and I was told that there is a considerable amount of interest on the local level in consumer action. There are a number of antipoverty groups in the New York City area that find it relatively easy to get people to show up at meetings involving consumer action. There are a number of groups that have written proposals for consumer action programs. But as of last Thursday, very few of those programs have been funded, and very few of the noble plans for consumer action in the New York area have actually gotten underway. I do not know what the situation is in other parts of the country.

Mr. ROSENTHAL. What about the process of general education, what can be done in that area?

Mr. CAPLOVITZ. Certainly, as education improves some of the problems that I describe will lessen. It will be that much harder for a fast-talking salesman to convince somebody to make a purchase that that person really does not want to make, but I feel that education is overestimated as a solution. We hear all too often the glib answer that what is needed is more and more consumer education. But it is difficult to inform well-educated consumers on the simple question of how much they pay in interest in our society.

A survey was done by Prof. George Katona, of the University of Michigan, and the survey shows that the well educated are just as ignorant about interest rates as the poorly educated are, and so even with education it is frequently very difficult for consumers to behave rationally.

This very body has just passed a truth-in-packaging law.

Mr. ROSENTHAL. A half-truth in packaging.

Mr. CAPLOVITZ. Unfortunately, a very watered down truth in packaging. I would go so far to say only a one-third truth in packaging.

What is the logic behind the law?

It is not a matter of people being educated; it is a matter of deceptive practices that need to be corrected.

So, I feel that, sure, there is a need for consumer education, but the best kind of education takes place through consumer action.

People who belong to credit unions quickly learn a great deal about budgeting and interest.

People who belong to food cooperatives learn a great deal about the quality of food. So that the best kind of education is the education that takes place within the framework of action, and what we need, I feel, is a new set of institutions and participation in those institutions will result in education.

Mr. ROSENTHAL. What kind of institutions?

Mr. CAPLOVITZ. Such things as credit unions; not necessarily new, but new to the ghettos; cooperatives—cooperative insurance, perhaps.

Mr. ROSENTHAL. What about legal aid services to prevent these practices, including this "sewer service" you mentioned?

Mr. CAPLOVITZ. Correct. OEO takes great pride because of the fact it has brought legal services to the ghetto, and justifiable pride, because this was one of the great gaps in our society.

But even though I feel they spent a great deal on legal programs for the poor, there is still much to be done. There is still a shortage of legal services to the poor.

Mr. ROSENTHAL. Do you have any notion what kind of numbers they have reached, at least in the city of New York, with these legal services?

Mr. CAPLOVITZ. They are just about to fund a legal service program which will provide a staff of lawyers in every one of the poverty areas of New York. It has already been funded. I stand corrected by Mr. Berry.

But have those offices been set up, Mr. Berry?

Mr. BERRY. Some of them have.

Mr. CAPLOVITZ. Then, after their struggle of two and a half years, legal services are now going to be furnished. Some did exist in New York City, and did an excellent job. Mobilization for Youth has a team of five lawyers that has done extremely good work on the East

Side for two and a half years, and that staff has recently been expanded with the help of the Office of Economic Opportunity funds.

Mr. ROSENTHAL. Have you done anything at all, or do you know whether anything has been done at all, about recommending to the State or the city of New York that there be changes recommended against city marshals in the things they do in enforcing judgments?

Mr. CAPLOVITZ. All I know in that matter is that, as a result of some research that Mobilization for Youth did, and I consulted on, we were able to get Attorney General Lefkowitz to hold hearings on "sewer service," and he started to look into the entire process-serving industry. He did not go into the city marshal aspect of it. As a result of those hearings, Attorney General Lefkowitz recommended some rather weak legislative changes, and I am not even sure if those changes have gone into effect. In New York City, process servers are not licensed. Anybody over 21 years of age can deliver a summons.

Mr. ROSENTHAL. Well, Professor, thank you very much. I think you have shed a good deal of light on the subject. You have made us all more acutely aware of the problem, and I think you have shifted the burden to our next witness. Mr. Theodore M. Berry.

(The full text of Dr. Caplovitz' statement appears below:)

PREPARED STATEMENT OF DAVID CAPLOVITZ, ASSOCIATE PROFESSOR OF SOCIOLOGY, COLUMBIA UNIVERSITY

CONSUMER PROBLEMS OF THE POOR

My remarks will bear upon the problems that low-income persons face as consumers in our society. Until recently the "war on poverty" was focused education, job training, and the creation of jobs. But the inability of the poor to earn a decent living is only one side of their economic plight. Equally important is how the poor spend what little income they have; that is, their situation as consumers making major buying decisions in the marketplace. To the extent that the poor pay more for the goods they buy—and I am convinced that they do—then to that extent they are deprived of the benefits of their earning power. They are forced to live in a world of inflation that our more well-to-do citizens are able to escape.

The tendency has been to assume that since the poor have little money to spend, they cannot possibly be consumers of costly merchandise. But this reasoning overlooks the role of installment credit in our society. Through the mass media, Americans in all walks of life are bombarded with messages to buy now and pay later. "Easy payments" and "no money down" are the slogans luring even the poor into the marketplace. Nor is it very difficult to lure the poor into making costly purchases, for in some ways the ownership of goods takes on even more significance for low-income persons than for those in higher income brackets. Since the poor have little prospect of greatly improving their low social standing through occupational mobility, they are apt to turn to consumption as at least one sphere in which they can make some progress toward the American dream of success. Appliances, automobiles, and the dream of a home of their own can become compensations for blocked social mobility.

Whatever the motive, there is increasing evidence that the poor are consumers of major durables. My own study of almost 500 low-income families, living in public housing projects in New York City, showed that these families owned many expensive appliances. Fully 95 percent owned at least one television set; almost two-thirds owned a phonograph; almost half owned a sewing machine, and almost half owned an automatic washing machine. Most of these families had spent considerable money furnishing their apartments. The typical family bought sets of furniture for at least two rooms when it moved into public housing and had spent approximately $500 for furniture. Some 16 percent had paid more than $1,000 for furniture bought at the time of the move.

The prices they paid for appliances were quite high. Forty percent paid more than $300 for their TV set and 13 percent had paid more than $400. A number of

families owned expensive combination television and phonograph sets and one family reported paying $900 for such an appliance.

Partly because they are so dependent upon credit and partly because they are intimidated by the large downtown store, most of the families buy their major durables from neighborhood merchants or from door-to-door peddlers rather than going to the large department stores and discount houses. Symbolic of the narrow shopping scope of the poor is the practice of buying from door-to-door credit peddlers, the men with the traditional slogan of "a dollar down, a dollar a week." Fully half the families surveyed had made at least one credit purchase from these door-to-door salesmen and more than a third had made repeated purchases.

The poor, then, like others in our society, have major wants as consumers, and there are innumerable merchants in low-income areas who are all too eager to provide them with the goods they want (and I might add, often with goods that they do not want).

Because they are poor and have such low ratings as credit risks and because they lack the training to be sophisticated shoppers, persons of low income are easy prey to unscrupulous, exploitative mechants. The marketing system in which they are forced to operate is in many respects a deviant system. I have elsewhere described it as a commercial jungle in which exploitation and fraud are the norm rather than the exception. High-pressure tactics, "bait" ads and "switch sales," misrepresentation of price and quality and the sale of used merchandise as new all flourish in this special system of sales and credit. Responding to ads announcing appliances and furniture at unusually low prices, the consumer soon succumbs to the salesman's switch-sale technique and buys a much more expensive model.

Along "furniture row" on Third Avenue in East Harlem, the bait ad appearing in every store window announces three rooms of furniture for "only $149" or "only $199." The customer who inquires about this bargain is shown a bedroom set consisting of two flimsy bureaus and one bed frame. He learns that the spring and mattress are not included in the advertised price but can be had for another $100 or so. The living room set in these "specials" consists of a fragile looking sofa and one unmatching chair.

Commenting on this gimmick, a salesman in one of these stores told an interviewer:

"I don't know how we do it. We advertise three rooms of furniture for $149 and the customers swarm in. They end up buying a $400 bedroom set for $600 and none of us can believe how easy it is to make these sales."

I could go on and illustrate many other exploitative practices that are used to bilk the poor, such as the promise of free merchandise if the consumer will assist the salesman in finding other customers, extravagant verbal promises that prove to have no validity, or the delivery of merchandise other than that ordered, but by now these exploitative schemes are all too well known. Perhaps less well known is that there are even salesmen who specialize in extending credit to families who are on welfare. Last year I learned about two cases that had come to the legal office of Mobilization for Youth in New York City. In both instances, women on welfare were talked into buying expensive television sets. The salesman said he would be by every 2 weeks when the welfare check came to collect $10. They were told that the sets would cost $200 but when they were delivered the women discovered that they had to pay $600. In spite of the suddenly inflated price of the merchandise, these women kept up payments until their sets broke down and the company refused to make repairs in spite of guarantees that they had been given. Their withholding of payments led to their sets being repossessed and it was only at that time that they sought legal aid.

These incidents illustrate another point that must be made. Many poor people find themselves overextended in credit obligations and unable to maintain payments. But many others stop paying on their purchases not because they are unable to pay, but because they refuse to pay on faulty merchandise. Instead of gaining retribution, however, they are more often than not subjected to legal sanctions brought upon them by the merchant. This process can be seen in the experience of one man interviewed in our study:

"I bought a set of pots and pans from a door-to-door salesman. They were of very poor quality and I wanted to give them back but they wouldn't take them. I stopped paying and told them to change them or take them back. They started bothering me on every job I had. Then they wrote to my current job and my boss is taking $6 weekly from my pay and sending it to them."

It is not clear from his account whether he lost some of his previous jobs because of the efforts to garnishee his salary; this does happen with some frequency. Many employers simply will not be bothered with garnishments and do not hesitate to fire workers whose salaries are attached. We are accustomed to thinking that these difficulties arise because these people are poor. But it is also true that some families become poor because they have these problems. To lose a job because of a garnishment is certainly one way of entering the ranks of the impoverished.

I should point out that the jungle confronting the poor consumer extends to the procedural aspects of the law. Legal procedures are violated with some frequency by the merchants' attorneys and the city marshals who are responsible for collecting the debts.

For example, almost all the lawsuits against consumers who do not pay result in judgments by default; that is, the consumers do not show up in court to defend themselves. The assumption commonly made is that these default judgments simply mean that the consumer has no case; that he indeed owes the money and therefore chooses not to answer the complaint and risk further court costs. But the legal unit of Mobilization for Youth has come across a number of cases in which the defendant was never served with a summons. Process servers often evade their responsibility and simply throw the summons away. This happens with sufficient frequency that a special term has evolved in legal circles to refer to it: "sewer service." Low-income families are especially likely to be victims of this practice since they are not apt to know their legal rights or how to protect them.

Another example: Before a garnishment order can be entered with an employer, the city marshal in New York State is required by law to give 20 days' notice to the defendant. The purpose of this law is to give the defendant a chance to clear up the debt and avoid embarrassment with his employer. But this procedure too is frequently not followed. All too often, the first the poor consumer hears of the action taken against him is when his employer calls him in and tells him about the garnishment. And by that time it is often too late for the consumer to protect his job, let alone his rights in the legal action.

In the past year or so, we have seen some alarming evidence that the poor are aware of the exploitation they face in the marketplace and are rebelling against it. Students of the riots that have swept our country have been struck by the selectivity exercised by the rioters in their destruction. It seems that not all buildings are ransacked and burned, but mainly those of the credit merchants.

The problems that I have tried to describe here are extremely pressing and demand the attention of our Government if the war on poverty is to be won and if our ideals of justice are to be maintained.

It is all too easy to say that the poor must be educated as consumers. But in my opinion, it is even more important to provide the poor with meaningful alternatives to the present arrangements that confront them. I have in mind such things as credit unions, cooperatives, and other self-help institutions. These institutions cannot spring up overnight in the ghetto. They need to be carefully nurtured with Government funds and leadership. I understand that the Office of Economic Opportunity is giving great emphasis to the creation of such institutions.

In addition there is a need for new legislation that will redress the balance between creditor's rights and debtor's rights. For example, we take pride in the fact that debtors' prisons have been abolished and yet today our legal structure garnishments which often result in depriving the debtor of his livelihood.

We urge our consumers to shop wisely and yet we tolerate a situation in which it is virtually impossible for consumers to shop for credit for the simple reason that those who extend credit are not required to state how much the credit costs. Certainly "truth in lending" as advocated by Senator Douglas is necessary if consumers are to behave rationally. The variations in credit legislation from State to State are not only awesome but difficult to justify. For example, in the State of Arkansas, the maximum interest that can be charged on any loan is 10 percent, but the State of Texas permits over 200 percent interest on loans under $100.

In closing, I should like to say one word on behalf of those I have treated as the villains in my testimony: the local merchants in poverty areas. In my opinion, it is a mistake to see their practices as wholly due to their unscrupulous personalities. They too are constrained by a set of economic forces. In some respects these merchants must charge more for the simple reason that it costs

them more to operate. I am not thinking only of the fact that being small businessmen, they cannot buy in bulk the way chainstores or large department stores can. I also have in mind the fact that these merchants frequently have to pay more for the money they borrow and in particular that they have to pay more for the insurance they need. If I am not mistaken, the insurance companies of America are now facing a crisis concerning insurance in ghetto areas. Even at the much higher rates they charge, they apparently are not finding it profitable to extend insurance to ghetto merchants. There is a need then for new institutional arrangements to meet the needs of the local merchant as well as those of the local consumer. Why, for example, cannot there be some system of pooling insurance and sharing the risk so that the local merchant does not have to pay an exorbitant price for insurance?

In short, I should like to suggest that some thought should be given not only to the exploitative relationship between the local merchant and the poor consumer, but also to the larger set of forces shaping the behavior of both.

Mr. ROSENTHAL. Mr. Berry, we are delighted that you are here and that you had the opportunity to hear Professor Caplovitz. Mr. Berry is director of the community action program of the Office of Economic Opportunity; and I think, sir, that you have a prepared statement?

You may proceed, if you will.

STATEMENT OF THEODORE M. BERRY, DIRECTOR, COMMUNITY ACTION PROGRAM, OFFICE OF ECONOMIC OPPORTUNITY; ACCOMPANIED BY BEN ZIMMERMAN, CHIEF, COMMUNITY SERVICES, COMMUNITY ACTION PROGRAM, OFFICE OF ECONOMIC OPPORTUNITY; AND MILES HOLLISTER, DEPUTY CHIEF, COMMUNITY SERVICES, COMMUNITY ACTION PROGRAM, OFFICE OF ECONOMIC OPPORTUNITY

Mr. BERRY. Thank you, Mr. Rosenthal.

Mr. Chairman, I am accompanied here this morning by Mr. Ben Zimmerman, former director of the community action program in Syracuse, N.Y., who is now the Chief of our Community Services Unit in the Office of Economic Opportunity, community action program, and also Mr. Hollister, formerly from California, who is one of the persons on the staff concerned primarily with consumer action programs in relation to community development.

It is a pleasure, indeed, Mr. Chairman, to appear before this subcommittee. I have had the privilege and pleasure of being a personal acquaintance of the distinguished chairman of your general committee for many years, and this happens to be the first opportunity I have had to appear before any of its component parts.

Mr. ROSENTHAL. I am delighted you could be here. I might also tell you that both the chairman and the other members of the committee were here earlier and had to leave because they are conferees on the transportation bill, which apparently has a very high priority for this week. They told me that they would be back if that conference broke up.

Mr. BERRY. I am appearing here as alternate for Mr. Schriver, and he asked me to convey his regrets that he could not personally appear but the requirement to appear at a conference at the White House this morning preempted his time, and so I consider it his loss and my gain to have this opportunity.

Mr. ROSENTHAL. You had better hold that in abeyance, that decision. [Laughter.]

Mr. BERRY. Well, I think, Mr. Chairman, that I may parenthetically say that I am a relative newcomer to Government. My whole range of experience as a lawyer has been serving a poor clientele, so of that I know something first hand, of the problems of the poor from the point of view of a lawyer and being active in my own community and in community affairs. So, I am not entirely a stranger to the experience.

I may be a stranger to the process of correcting it, but I came to Government hoping that out of that experience there might be a joining of both the problem and the method for its solution. I may leave somewhat disillusioned; I am not so sure.

The Office of Economic Opportunity has been doing something, albeit on a limited scale, in a limited manner, and I am pleased to at least bring some report of our efforts on behalf of the 32 million American consumers who are poor.

These are the 32 million that come within the Orshansky definition of approximately $3,150 for a family of four. Anyone in that family range, or below, of course, are considered as poor, with a graduated scale, depending upon the number of persons in the family.

It can be said, and not facetiously, that the poor live in a state of permanent inflation. This is true because the poor pay higher prices and higher rates of interest than their more affluent fellow citizens. The poor simply do not have the freedom of choice others do in determining where to buy and where to obtain credit.

Dr. Caplovitz referred to the youth in action survey in the Bedford-Stuyvesant section of Brooklyn, which is a survey that was funded by our Office, for the conduct of an in-depth inquiry into the problems of the poor consumer in that community.

This survey found that some merchants raised prices on the 1st and the 16th of the month, the days that the welfare checks arrived.

Persons buying household appliances and other durable goods on installment plans pay far more than the retail price of the item due to exorbitant, and usually hidden, interest rates.

A good deal of low-grade merchandise is sold to those who must buy on credit and have no other place to go.

Because of conceived or imaginary dangers in entering the neighborhood, process servers decide against delivering a default proceedings subpena.

This results in persons not having any warning before goods are repossessed or are fired due to garnisheed wages.

Mr. ROSENTHAL. As a practicing lawyer, you know that the allegation of potential danger in entering neighborhoods is only one reason for the so-called "sewer service." I do not know how much they are paying nowadays. Is it still $2 for a service? Even in our best neighborhoods, they just throw them on the ground and run away, because they do not want to spend the time and attempt to make the service.

Mr. BERRY. That may be a substantial part in the weakness of the service process. Bar associations are conducting inquiries, and I think they are being stimulated in this direction by some of the legal service grants we have made, which include studies of new types of legislation that may be necessary, or corrective procedures by lawyers or the

courts, that will afford the protection of the law to those who are least able to secure proper representation.

In my own experience there have been frequent instances in which we have had to represent poor clients in filing proceedings to set aside default judgments in order to afford them their day in court, and in many instances the mere step to set aside a default judgment will put the merchant or the debtor in a more receptive position to discuss the ways and means of resolving without trying the merits of the issue. I will deal with that probably, in response to your question, when I deal with the question of legal service.

Mr. Chairman, in order to save time, because I found from Dr. Caplovitz' testimony that we have in fact repeated some of the observations that he made in his book and in his study in New York, resulting in the conclusion that the poor not only pay more but they pay much more, I am going to skip some portions of my written testimony to get to the substance of your interest as to what the Office of Economic Opportunity has attempted to do.

I would like to mention, however, that the urban poor consumer is not the only one with problems. In rural America the only source of credit is often still the plantation store or the company store. Many marginal farmers and sharecroppers give up most or all of their earnings in return for credit that will enable them to plant and harvest a crop. There are many cases in which small farmers are charged more than 50 percent interest annually for operating money.

In addition to the marginal farmer and sharecropper, there is the migrant worker. He has little left after he repays the farmowner, the crew leader, or the individual who contracts out his labor.

Recently, there came to our attention a rather substantial or large farmowner in Alabama who still pays the people that work on his farm by a species of money that is not in general circulation, and when they are paid with that they must buy the goods at the store, and they receive a certain percentage of dollar value which has a built-in profit for the employer because he only redeems the chit for less than the full dollar for which they have been working.

In both urban and rural areas, the type of credit available to the poor insures that they will remain in poverty. In fact, that the poor pay more is now receiving the national attention it warrants. And the fact that the poor pay more precisely because they are poor is the most important problem we face.

When our agency began its consumer programs, it was virtually breaking new ground.

A number of laudable efforts have been made in the consumer field by labor and by private groups, but these were generally confined to a constituency above the level of the poor. They were in some sense serving a middle class and a class that is not entirely unmindful and unneedful of this advice.

I would not, for one moment, suggest that the groups to which these consumer programs were directed were not needed there, but only to indicate that they did not reach the real poor that are the victims of exploitation today.

We began experimenting in an effort to bring the shopping dollars of the poor consumer up to the level enjoyed by the rest of society. We looked for ways to help the poor gain the access to the lowest market prices and interest rates enjoyed by the general public.

Now we have developed the following programs which we believe hold real promise.

THE HOME-MANAGEMENT INSTRUCTION

This program teaches the poor how to maintain the best possible diet at the lowest possible cost. It also teaches them to make and repair clothing. It helps them to get the most value out of the dollars spent for necessities.

Mr. ROSENTHAL. I wonder if I can interrupt, Mr. Berry.

In each of these programs, could you relate that to the 32 million American consumers and tell us how many people, in your judgment, you are reaching?

Mr. BERRY. We have a table here. In the home-management instruction thus far, in component programs which have been funded through various community action agencies, there have been 55 grants which are serving some 739,000 people. We have funded some $2,726,000.

(The table referred to follows:)

COMMUNITY ACTION PROGRAM CONSUMER-RELATED ACTIVITY, FISCAL YEAR 1966

	Number of grants [1]	People served	Expended	Average unit cost
Family financial counseling	10	[2]	$460,235	$21.81
Home-management instruction	55	739,921	2,726,609	3.70
Development of low-cost credit	16	291,390	643,974	2.21
Consumer information and education	18	106,514	1,403,860	13.18
Other consumer programs	15	382,813	3,246,022	8.48
Total	114	1,541,740	8,480,700	[3] 5.50

[1] Components only; actual number of program units higher.
[2] 21,102 families.
[3] Average.

Mr. ROSENTHAL. I am just trying to relate it back to your basic figure. Of 32 million people you are reaching something less than 750,000?

Mr. BERRY. Yes, in that particular target or program.

I want to make this clear, Mr. Chairman, that the community action program and the funding of programs has been largely in response to the type of program, the priority of program, which a community action agency itself conceives as being meaningful, capable of being conducted, and in response to the communities to be served or the groups to be served.

In the early beginnings, the programs that were offered that were primarily, and with a great deal of emphasis, in the educational, tutorial, adult education type of program.

As neighborhood centers have been funded and we have made grants to some 200 communities that would provide for the establishment of some 800 neighborhood service centers, out of the response and participation of the poor in advisory councils and bodies that support these neighborhood service centers have emerged an increasing demand for the variety of types of programs relating to the consumers' problems, so that——

Mr. ROSENTHAL. To put it in simple language, you do not initiate programs, you respond to what programs the local community initiates.

Mr. BERRY. This is the major thrust.

I must modify that to say also that we have initiated some national effort programs, and the two classic examples are in the child development, educational development, known generally and popularly as Headstart, which was the first major effort initiated——

Mr. ROSENTHAL. This has nothing to do with the consumer program.

Mr. BERRY. This is correct, but this was the national priority program that the OEO initiated in the very beginning of the war on poverty.

The second major program is in providing legal services to the poor throughout the country, and we have made grants totaling some $19 million to communities all over the country for the establishment of service programs providing legal representation to the poor.

Mr. ROSENTHAL. The point I was trying to establish, at least in my own mind, is that in most of these things you react to local community initiative. But yet don't you have the responsibility for the overview from the Federal and national level, for seeing that what happens in Watts could happen in New York or Detroit or in Washington? Don't you have that understanding much more than the local community groups do, and if that be so, why don't you start these programs at the top and suggest to the communities that these are good programs rather than wait for them to initiate programs?

Mr. BERRY. Mr. Chairman, this is a basic philosophical idea that has been debated both with our own organization and, I think, it is debated generally, as to how much Federal laying-on-of-hands as to the direction in which the people should go should be continued.

The community action program, as it was conceived by Congress, as we have sought to administer it, was the new dimension of what we called creative federalism, in forming a partnership between local community responsibility and Federal Government assistance in carrying out that responsibility rather than tell the communities what they ought to do and how they ought to do it.

Mr. ROSENTHAL. Well, picking up the point that Professor Caplovitz suggested, somehow you learn that the rioters in Watts took most of their wrath out against the merchants who were engaged in the worst type of practices, don't you think you should rush back and suggest to the folks in Harlem that maybe we ought to do something about it here and now and prevent a recurrence of what happened there?

In other words, you have the communication, you have the overview. This is where the Federal Government has something that local and State governments do not have. You have representatives all over the country.

Mr. BERRY. No, no; we do not.

Mr. ROSENTHAL. Well, we should.

Mr. BERRY. Well, if Congress provided us with the money and the direction and the legislation that would enable us to have such a large army of representatives all over the country——

Mr. ROSENTHAL. You mean if you learn something in Los Angeles, you do not translate it into a recommendation for Chicago or Detroit or New York?

Mr. BERRY. Yes, sir. We attempt to translate that information as we gain it, and to other agencies of Government to make it known what are some of the critical ills or weaknesses in the system that prevail in a local community.

But I do not think that the Office of Economic Opportunity, or the Economic Opportunity Act, became a cure-all for the complex problems that exist in many communities.

While we are discussing this matter of the merchant and the hostility that was manifested in Watts, it must be recognized that not all merchants in those communities are sinister influences in the community or completely insensible to either the problems or the conditions in which he finds himself.

He, too, is a victim of a system which makes it very difficult for him too.

Now, by way of example, most of the merchants who deal in installment credit discount their paper with large finance houses that require them to maintain a very high loss reserve. This, in part, accounts, perhaps, for the reason that high prices prevail. This is not an excuse, but it is part of the complexity of the whole system.

The type of credit, the type of insurance, has been alluded to, the high cost of insurance that prevails, and, therefore, he has a built-in markup in his merchandise. This is not to condone the practices that he might have to engage in by reason of the type of competition he has met with.

After all, businesses practice those rules prevailing and with which they have to compete, albeit in many communities most of the merchants are absentee merchants. They do not live in the community, and, therefore, they do not identify themselves always with the community's efforts to correct them.

We, to the extent possible, make the findings of these studies and these facts known to communities, and we expect communities also to assess the problems that exist in their own area and, in an effort to respond to it, will fund educational programs that will carry the message to the people as well as to those who are in position to influence decisionmaking and corrective procedures in their community.

I would like to deal also with family financial counseling. For the same reasons a business must efficiently manage its budget and debt, so must a family, especially a poor family. This program provides the counseling that makes budgeting and debt management possible for the poor.

Into this area we have funded relatively few on application, but there have been 10 such grants for a little less than a half million dollars, serving some 21,000 families.

We have given assistance to the development of low-cost credit unions. In the District of Columbia, the United Planning Organization, which is funded by our organization as well as the Ford Foundation and a number of other agencies, has established nine credit unions. There are more than 70 credit unions around the country which have been made possible by the Economic Opportunity Act.

We would like to make it clear that our agency does not furnish loan capital for credit unions, nor do we provide operating capital for consumer cooperatives of the supermarket type. We do supply funds for the training of credit union personnel and for the overhead expenses involved in helping a credit union reach the self-supporting stage.

MR. ROSENTHAL. How many credit customers have evolved from this operation so far?

Mr. BERRY. Well, first, I would like to point out, as preface to the answer to that question, that, in order to promote the establishment of credit unions in poverty target areas, we contracted with—the Office of Economic Opportunity did—with the Bureau of Credit Unions in HEW. This is an area of coordination of resources of the Federal Government to provide training on a nationwide basis of credit union personnel recruited from neighborhoods.

This constitutes a 4-week course qualifying trainees to act as consumer advisers, and, to some degree, as budget counselors. These trainee programs have already been conducted in Boston, New York, Los Angeles in August, and one is now currently in operation in Chicago. Others are to be conducted in New Orleans in the months of November and December, and another one in the District of Columbia in December.

Mr. ROSENTHAL. Can you give us any figures on the number of customers they have reached?

Mr. BERRY. The credit unions or these training programs?

Mr. ROSENTHAL. The credit unions.

Mr. BERRY. The credit unions are varying in size. We have now about 100 credit unions with membership ranging from 100 members to 1,500 or more.

A number of credit unions are even now being organized. The nine credit unions that have been established here in the District of Columbia have some 4,693 members, with a potential service market of approximately 38,000.

They are growing in size. In the Oakland area, Oakland and San Francisco, the credit union there has grown in sufficient size to make many more loans than were available to the people in their community.

Mr. ROSENTHAL. Is that the one you hired this professor for some $77,000 to make a survey of what is wrong with the program?

Mr. BERRY. That I am not familiar with. There was an evaluation study with the university to be conducted. Mr. Hollister may know more about that.

Mr. HOLLISTER. The only evaluation I know of was for the overall San Francisco program.

Mr. BERRY. That is not the university itself.

Mr. ZIMMERMAN. The man you may be referring to is Professor Caplovitz.

Mr. BERRY. I have no knowledge of that.

Mr. ROSENTHAL. We searched all over the country for someone who could comment on the consumer problems of the poor, and we found that Dr. Caplovitz was one of the most knowledgable.

To get back to credit unions, we cannot determine the number of people who have been customers of the credit unions you helped establish?

Mr. BERRY. No; we cannot measure it in an overall manner, because the number of credit unions we have aided has been of such relatively short periods for the training of personnel and the development that they have not achieved the operational level to expand service to a large clientele. What we are in position to report is——

Mr. ROSENTHAL. When will they achieve that operational level?

Mr. BERRY. I would say between 2 and 5 years of experience.

Mr. ROSENTHAL. Can we afford, from what Dr. Caplovitz says—and assuming he is correct—can we afford that timelag?

Mr. BERRY. Unless the Government is in position to establish and make a revolving fund available to bring the credit unions to the level where they can make substantial loans, bearing in mind that a credit union may loan only from the assets that it is able to derive from its members, and if the members in a small or in a poor community, if its membership is based upon contributing 25 or 50 cents a week toward their membership, the asset growth potential of that credit unions is relatively slow.

Mr. ROSENTHAL. How many credit unions did we have in Watts before the riots, and how many do we have there today?

Mr. BERRY. The Unity Charity Society probably was the one single self-help, community-initiated credit union in the Watts area.

Mr. ROSENTHAL. And today?

Mr. BERRY. And had substantially slow progress in getting established, because of some of the handicaps imposed by State law and the lack of funds characteristic of low-income areas. There are approximately a half dozen that are in their incipient or beginning stages in the Watts area now, but I would emphasize, Mr. Chairman, that the mention of the words "credit union" or the funding of the training of the personnel is only half the loaf and the credit union must have some kind of funding of their ability to make loans, and this raises a very important policy question on the part of the Government as to whether or not we would establish a revolving fund to aid low-income motivated and developed credit unions.

Mr. ROSENTHAL. Have you made any recommendations to Congress about helping to solve these problems?

Mr. BERRY. We have not at this moment, until we had gained some experience from the response of local communities in developing their credit unions.

I think the Bureau of Credit Unions would be in much better position—and we are relying upon their findings—from the training courses which we contracted with them to conduct.

Mr. ROSENTHAL. Is private industry helping you at all in any way, either in capital or expert management or people with bank experience—anything like that?

Mr. BERRY. We have had consultations and conferences with Mr. Hollister, who particularly has been privy to these conferences, and could give you more in-depth information as to their response.

We have had conferences with the American Bankers Association; two of the largest chainstore operations, Sears, Roebuck and Montgomery Ward; representatives of Beneficial Finance Corp., to inquire what can be done in the installment credit field to ease the burden of high interest rates on the poor.

Mr. ROSENTHAL. Any concrete results at all from these discussions?

Mr. BERRY. Response of interest, concern, and—how would you phrase it, Mr. Hollister? You were the initiator of many of these conferences.

Mr. HOLLISTER. They appear to us, Mr. Chairman, to be very ready to cooperate on a rational program, and they have provided us with very valuable consultation in developing our program direction. We

have gotten a great deal of cooperation from the private sector and they stand ready to help us.

Mr. ROSENTHAL. No results, though?

Mr. HOLLISTER. The results are going to depend upon what kind of program we are able to put together which, in turn, depends upon the funding of it.

Mr. BERRY. On that point, I would like to later in my testimony—I referred to our conception of the comprehensive consumer clinic which is what the counterpart of the comprehensive health service program which we are initiating would be.

Mr. ROSENTHAL. I am sorry for interrupting.

Mr. BERRY. Yes. In order to provide technical assistance to interested communities, we have also contracted with CUNA International, the national credit union association, for providing technical services for those communities that were desirous of establishing credit unions, to give them the technical know-how.

One of the problems involved in making a ghetto area a viable neighborhood is the lack of institutions, especially banks and stores, which have roots in the community.

We believe credit unions owned, directed by poor people, are emerging as one of the effective community-rooted institutions around which other institutions may rally.

Our consumer information and education program, which has been funded, first trains community aides, especially those on the welfare rolls, who can talk the language and who can reach the people and communicate with them.

These aides are taught the relationship between poverty and the low purchasing power of the poor's consumer dollars. These aides go from door to door to contact the people of the neighborhood. They take people on comparison shopping tours, advise them on the selection of responsible merchants, and help them to form informal buyers clubs, which permits them to buy some items, such as milk, at wholesale prices. Debt counseling is also offered by some of these programs.

Mr. ROSENTHAL. Out of the 32 million, how many people have we reached through this program?

Mr. BERRY. We have some 18 grants reaching 106,000 in their respective communities, and we have funded $1,400,000 in that area.

Again, in these areas, in comparison with the total problems of the consumer, we must frankly acknowledge that the amount that has gone into these specific types of programs as being comparatively small, but we have to relate that also to the total demands of a variety of component programs which have been funded by our agency.

Mr. ROSENTHAL. You also relate to the need, to the potential explosive qualities of communities or do you only relate it to available funds?

Mr. BERRY. Well, we attempt to emphasize with communities that it is their responsibility to regard our office not as a supermarket for unlimited funding but to establish priority of program needs as they conceive them rather than as we direct them.

Mr. ROSENTHAL. How can they conceive them when they are not able to communicate across State lines? In New York, they do not know what is going on in Detroit or California; they do not understand human behavior patterns throughout the country. You people pre-

sumably do. They may be sitting comfortably back in some city, such as New York, saying that it can't happen here.

You might have learned from your experience that it can happen here, and maybe some remedies should be undertaken.

Mr. BERRY. To reach that, if we call it ineptness or insensitivity to the wrong program, we have attempted to prepare and have distributed widely program guides in particular areas of social need in the communities, telling the communities or indicating to the communities how they can address themselves to formulating program proposals that will meet that particular problem, whether it be in the area of manpower training, in the area of education or health or family planning, consumer education—a variety of program guides have been prepared and are in wide distribution into community action agencies throughout the country.

Our legal protection is being furnished to consumers by legal service programs funded by our agency. We estimate that at least 20 percent of the legal service cases are related to consumer matters.

I mention two examples which relate to Dr. Caplovitz' observation, but here particularly we indicated how the availability of an attorney to a poor client was able to protect them from an exploitive practice.

We have been successful in having many contracts that were explosive, illegal, or unconscionable, rescinded and in reducing the price of the commodity that was contracted for. In many instances this type of case is settled with a telephone call or a visit to the involved store.

The legal service offices are trying a number of approaches to trying to solve the problem of consumer fraud. In Philadelphia the legal services program has "consumer advocates" who, among other things, draft legislation designed to give poor people equal justice under the law.

In Waterbury, Conn., the legal services program includes preventive education for consumers, a survey of consumer problems, and the establishment of credit unions for the poor.

Mr. ROSENTHAL. Let me ask you, Mr. Berry, about something that a citizen in New York sent to me. He receives a brown envelope with a window opening here, and in the upper left-hand corner, it says: "Postmaster, after 5 days return to 748 Washington Building, Washington 5, D.C." and then it says that the form is confidential, no one else should open it. Inside he gets a payment demand. I do not know whether you call it Old English script, but it looks kind of official. It is subject to the laws of the District of Columbia. Final demand for payment. It has the amount, and it says, "Take notice that the abovenamed creditor claims a just indebtedness from the debtor," and it is on a form that looks very similar to a payment demand that you would get from the Internal Revenue Service. This was sent to someone in New York City, and the agent is the National Marketing Service, agent for Con Edison, a New York City utility, and this apparently is mailed to citizens in New York by a collection agency from Washington, D.C., in an obvious attempt to make them think this is a notice from the Federal Government. It distresses me that a firm like Con Edison, first of all, has to give their legal business to someone outside the city of New York; but also that they would be a party to this kind of deception.

Now, in your judgment, in your experience, would this intimidate a poor consumer to think that this is an official document of some kind?

Mr. BERRY. It certainly would, and I think it is deliberately drawn in that form to impress and to psychologically induce some favorable response, because it appears to have some Federal Government backing of some kind.

Mr. ROSENTHAL. What is your agency, or anybody else, doing to educate people to events such as this?

Mr. BERRY. This is precisely the kind of subject that is the goal of consumer information and educational programs that we have funded, and in a limited degree, but nevertheless we have made what we believe to be a good beginning, with the resources that we have at hand.

The major thrust or attack on this would most likely be, and it is probably receiving the attention of a large number of the legal service programs that we have funded in various communities throughout the country.

I am aware that the legal service program here in the District of Columbia to the extent that these matters are brought to their attention are making an effort to uncover this kind of psychological war that is being carried against debtors to induce their prompt payment.

Apparently, this particular collection outfit has sold creditors who have large numbers of delinquent accounts that they have the advantage of inducing quick collection with this device which accounts, perhaps, for Con Edison depriving New York lawyers of that collection business.

I have here, and I would like to make them available to you as samples, the kind of educational material simply prepared that is used by one demonstration project that we funded in Oakland, Calif., known as BAND, which was a demonstration in community-based information services to bring greater information to consumers.

I would like to pass them up for your examination.

In the field of housing, a number of programs have been designed to help the poor receive full value for dollars spent on housing. It is essential that poor people be aware of the choices available to them in the housing area. Without such information, choices do not exist. The poor need to know what subsidies are available, how to go about finding satisfactory housing, how much to pay, how to judge housing adequacy, and what respective responsibilities the landlord and tenant have.

To accomplish this, our agency supports comprehensive housing service programs, which usually operate out of multipurpose neighborhood centers.

Among other things, these housing programs provide information on what public and private housing programs offer; immediate aid when housing is needed on an emergency basis; instruction on what building codes are designed to do and how to utilize them.

Moreover, the community action program is using demonstration funds to stimulate nonprofit housing development corporations which are financed principally by the community. This effort makes possible the efficient utilization of available Federal housing construction programs to bring better housing to the poor.

I have personally participated in developing a housing cooperative from residents of a target area in which a housing project was proposed. But under 221(d) (3) the sponsor had to have either a viable cooperative or a nonprofit corporation to take over its management, and the know-how, the need for information as to how people can bring themselves together and meet the requirements of the Federal agency in qualifying a cooperative is very essential.

Through the Office of Economic Opportunity, we have decided that upon request, and where there are available technical services, we will fund the education program to tell the people or teach the people, inform the people, how they can bring together a viable cooperative that will be able to act on behalf of their constituents in relation to either a sponsor or the Federal agency that would underwrite such a project.

To further aid consumers who are poor, we have commissioned Columbia University to make a definitive study of varied consumer problems. The Bureau of Labor Statistics is under contract with our agency, making a special study to determine how much the poor pay for appliances and clothing.

We have listed in our statement, and I will not repeat it because it is on our chart there, the variety of programs that have been funded to date, the number of grants, the number of persons served by them, and the per capita costs of this complex of services.

Also, we have cooperated with the Job Corps in that the 30,000 young men and women who were potentially future heads of families, are receiving as part of their training in the Job Corps instruction in budgeting, financial counseling, and consumer education. This we consider to be a very important service for the future family heads of those who have had a long experience in poverty.

Based on what we have done and what we have learned, we should consider what might be done better to help the poor to enjoy the same access to the lowest possible market prices and interest rates that are available to their more fortunate fellow Americans. We believe a community can bring consumer programs into better focus with respect to the needs of the poor by organizing these programs in a type of package for each type of poverty area.

The end result would be a consumers' clinic which would address itself to consumer problems in the same way a medical clinic treats their physical ailments, treats the variety of physical ailments of the patients who come to them.

The essential elements of these clinics would be:

First of all, a consumer action and information program or components designed to make the poor aware that it is possible to get more value out of their dollars by buying wisely;

Secondly, a family financial counseling program which would advise on budgeting and debt management, and help consolidate debt, and, if possible, to reduce it.

Third, the establishment of a credit union which would give the poor access to reasonable interest rates and finance debt consolidation when necessary.

Fourth, a home-management instruction course to help homemakers organize for decent and pleasant family living.

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And fifth, a legal services component designed to assist the consumer where legal problems, such as contracts, are concerned.

Mr. ROSENTHAL. This would be a physical plant, a store, an office in a community?

Mr. BERRY. Yes; and, more likely, as a related service in a multiservice center where, at the community level, there is a matrix or complex of services that are capable of being delivered to the poor, but that center, whether it be in housing information or whether it be in family counseling, a family-planning clinic—but that there would also be within this multiservice center the consumer community program that would be available.

This might be done in a multiservice center or it might be established as a separate facility. We would also encourage it being linked to the legal services programs that would be funded in that community.

This has been done here in the District of Columbia. Frequently, you will find the legal service program to have a financial counseling service, consumer credit information service as an adjunct of that office.

Since one or more of these programs is already operating in many communities, these communities would have only to add the other components, and in the areas where such programs are operated, we have generally received increasing enthusiastic cooperation of local businessmen.

They have realized that a customer with some consumer counseling and access to reasonable credit is less likely to overextend his credit and is more likely to pay his bills on time. The net effect is an increase in profits for local businessmen.

I might say parenthetically that, in one of our recent conferences with the J. C. Penney Co., we inquired as to the level to which they extended credit, and the low poor are not the object or the benefits of their credit system, and we discussed with them how responsive they would be to the kind of credit counseling service and the importance of impressing upon the poor how valuable an instrument good credit rating can be to them, and they expressed some interest and attempted to identify some communities where they would, in cooperation with a funded program in that community, attempt to bring in persons who had been—who, at least, would use this kind of training, and responded to it, to experiment with in the extension of credit to them.

One of the most difficult tasks we have had in the consumer program—and in all antipoverty programs as well—is communicating with the poor. For the most part, the poor shy away from middle-class language, because it means little to them. They listen to radio stations which service their program taste. They speak their own language, and many of them do not read newspapers. Many of them cannot read at all. Some of them do not know what the word "consumer" means.

To develop methods of reaching the poor, we have funded a pilot consumer program in San Francisco and Oakland, operated by the Bay Area Neighborhood Development Foundation. This organization has used special leaflets, which I just presented to you, radio announcements and door-to-door surveys by poverty area residents themselves, in order to communicate with the poor.

It has established four thriving neighborhood programs and four neighborhood credit unions. Its impact on the residents of these communities has been significant.

We recognize that we have a long way to go before the poor of our country can reach the level of sophistication as consumers which would help them to break the poverty cycle. But nothing in this task of eliminating poverty is either quick or easy.

President Johnson, in his poverty message of 1964, said:

> The path forward has not been an easy one. But we have never lost sight of our goal—an America in which every citizen shares all the opportunities of his society, in which every man has a chance to advance his welfare to the limit of his capacities. We have come a long way toward this goal. We still have a long way to go. The distance which remains is the measure of the great unfinished work of our society.

Mr. Chairman, I believe we are making an honest try within the ammunition that has been afforded to us in bringing this message to the poor, and we will continue within the limits of the capacity that is provided us.

(The prepared statement presented by Mr. Berry reads in full as follows:)

PREPARED STATEMENT OF THEODORE M. BERRY, DIRECTOR OF THE COMMUNITY ACTION PROGRAM, OFFICE OF ECONOMIC OPPORTUNITY

Mr. Chairman and members of the subcommittee, it is a pleasure to appear before this distinguished subcommittee. I am glad to have the opportunity to discuss both what the Office of Economic Opportunity has been doing and what it plans to do on behalf of the 32 million American consumers who are poor.

It can be said, and not facetiously, that the poor live in a state of permanent inflation. This is true because the poor pay higher prices and higher rates of interest than their more affluent fellow citizens. The poor simply do not have the freedom of choice others do in determining where to buy and where to obtain credit.

In order to illustrate this, one can use as a concrete example some of the findings of a successful consumer education program we have funded in the Bedford-Stuyvesant section of Brooklyn, one of the most poverty-stricken urban ghettos in the Nation. This program has found that:

Some merchants raise prices on the first and the 16th of the month, the days welfare checks arrive.

Persons buying household appliances and other durable goods on installment plans pay far more than the retail price of the item due to exhorbitant, and usually hidden, interest rates.

A good deal of low-grade merchandise is sold to those who must buy on credit and have no other place to go.

Because of possible dangers in entering the neighborhood, process servers sometime decide against delivering a default proceedings subpena. This results in persons not having any warning before goods are repossessed or are fired due to garnisheed wages.

This is part of the story in Bedford-Stuyvesant. Unfortunately, it is repeated throughout the country. As Dr. David Caplovitz has pointed out, the poor "pay more, very much more."

By way of further illustration, one can cite from the findings of several surveys, some of which we have financed, which show that it is more expensive to live in a ghetto than elsewhere.

Here are a few of those findings:

The poor pay more because they must buy on credit, sometimes even items like groceries.

The poor pay more because they can only afford to buy in small quantities.

The poor pay more because ghettos do not attract supermarkets and the people must deal with the more expensive corner store.

The poor pay more because sometimes prices are higher in the ghetto than elsewhere in the city. It was found recently that the residents of Harlem were paying more for butter and eggs than the rest of the city of New York.

The poor pay more because they are easily tempted to buy something, like a color television set, that may bring some ray of happiness into a cold-water flat or a drab life. It is hard for unsophisticated poor people to turn down a salesman who asks only "$2.50 down" and a "few dollars" a week for something that promises to make life pleasant. The "few dollars" a week the salesman spoke about usually adds up to a good deal more than the buyer either expected or can afford.

The poor pay more because unscrupulous merchants prey on their ignorance. Some ghetto merchants charge as much as they can collect, especially on durable goods. Frequently, exhorbitant prices are accompanied by exorbitant interest rates.

These are important and tragic findings, and I know you will give them most serious consideration.

We have discovered that many ghetto people do not realize that their weak positions as consumers have much to do with their plight. They often do not understand that the high prices and interest rates they pay make it impossible for them to get out of debt and poverty.

Fortunately, we have had a good deal of success in helping the poor realize the connection between their poverty and the fact that they—

1. pay excessive rates of interest in installment contracts;
2. pay high prices for shoddy goods, and, sometimes;
3. pay with their jobs when their wages are garnisheed—with or without warning.

For example, it is not unusual for a low-wage worker to get involved in an overpriced installment contract, as in the case of a television set. If he fails to make his payments, default proceedings begin. If he lives in an apartment house whose courtyard is a hangout for local unemployed youth, he receives no subpena because the process server may decide it is safer not to deliver it. The worker does not learn that he has been held in default. Then, without warning, his wages are garnisheed and he is fired. The cycle is complete—from overpriced installment contract to unemployment. The television set, the object of his expectations and difficulties, is repossessed.

The poor urban consumer is not the only one with problems. In rural America, the only source of credit is often a plantation store or a company store. Many marginal farmers and sharecroppers give up most or all of their earnings in return for credit that will enable them to plant and harvest crops. There are many cases in which small farmers are charged more than 50-percent interest annually for operating money.

In addition to the marginal farmer and sharecropper, there is the migrant worker. He has little left after he repays the farmowner, the crew leader, or the individual who contracts out his labor.

In both urban and rural areas, the type of credit available to the poor insures that they will remain in poverty. The fact that the poor pay more is just now receiving the national attention it warrants. And the fact that the poor pay more precisely because they are poor is the most important problem we face.

Poverty is often perpetuated because the purchasing power of the consumer dollars of the poor is much less than that enjoyed by the rest of us. At the Office of Economic Opportunity, we are making a vigorous effort to do something about this.

When our agency began its consumer programs, it was virtually breaking new ground. A number of laudable efforts had been made in the consumer field by labor and private groups, but these were generally confined to consumer education for the middle class.

We began experimenting in an effort to bring the shopping dollars of the poor consumer up to the level enjoyed by the rest of society. We looked for ways to help the poor gain the access to the lowest market prices and interest rates enjoyed by everyone else.

We have developed the following programs which we believe hold real promise:

Home management instruction.—This program teaches the poor how to maintain the best possible diet at the lowest possible cost. It also teaches them to make and repair clothing. It helps them to get the most value out of the dollars spent for necessities.

Family financial counseling.—For the same reasons a business must efficiently manage its budget and debt, so must a family—especially a poor family. This program provides the counseling that makes both budgeting and debt management possible for the poor.

Development of low-cost credit unions.—In Washington, D.C., the United Planning Organization, the local Community Action Agency, has established nine credit unions. There are more than 70 credit unions around the country which have been made possible by the Economic Opportunity Act.

It should be made clear that our agency does not furnish loan capital for credit unions, nor do we provide operating capital for consumer cooperatives of the supermarket type. We supply funds necessary for the training of credit union personnel and for the overhead expenses involved in helping a credit union reach the self-supporting stage.

To promote establishment of credit unions in poverty target areas, we have contracted with the Bureau of Credit Unions in the Department of Health, Education, and Welfare to provide training, on a nationwide basis, of credit union personnel recruited from the neighborhoods. A 4-week course qualifies trainees to act as consumer advisers, and, to some degree, as budget counselors. In order to provide technical assistance to interested communities, we have contracted with CUNA International, the national credit union association. One of the problems involved in making a ghetto area a viable neighborhood is the lack of institutions, especially banks and stores, which have roots in the community. Credit unions, owned by poor people, are emerging as effective, community-rooted institutions.

Consumer information and education.—This program first trains community aides, usually those on the welfare rolls. These aides are taught the relationship between poverty and the low purchasing power of the poor's consumer dollars. These aides then go door to door to contact the people of the neighborhood. They take people on comparison shopping tours, advise them on the selection of responsible merchants, and help them to form informal buyers clubs, which permits them to buy some items, such as milk, at wholesale prices. Debt counseling is also offered by these programs.

Legal services program.—Legal protection is being furnished to consumers by the legal services program funded by our agency. We estimate that at least 20 percent of legal services cases are related to consumer matters.. Two examples of such legal service to poor consumers are the following:

First, there is the case of the woman who signed an installment contract calling for payment of $565 for an air conditioner and an additional $135 for aluminum windows. She paid $25 down and agreed to pay the rest in monthly installments of $13. Shortly thereafter, she received a payment book from a bank stating that the total amount due was $2,500. She immediately went to a legal services attorney. The attorney learned that a fourth deed of trust had been placed on her property as a result of the transaction. The woman had not signed this deed in the presence of a notary public and had no awareness of the fact that a trust was signed. The attorney referred the woman to the police, who prepared a case against the involved salesman and notary public for presentation to the grand jury. At that point, an attorney defending the salesman and the notary offered to settle the claim. The woman accepted the settlement, which returned her downpayment and canceled her obligation.

The second case involved a man who bought a television set, represented as new, for $398, plus a $108 carrying charge. The set actually was an old model selling for approximately $170 at many reputable stores in the area. The legal services attorney, looking into the buyer's complaint, received reports of similar complaints by other neighbors against the same store.

Our legal services programs have been successful in having some of these contracts rescinded and in reducing others in price. In many instances, this type of case is settled with a telephone call or a visit to the involved store.

Legal services offices are trying a number of approaches to solving the problem of consumer fraud. In Philadelphia, the legal services program has "consumer advocates," who, among other things, draft legislation designed to give poor people equal justice under the law. In Waterbury, Conn., the legal services program includes preventive education for consumers, a survey of consumer problems, and the establishment of credit unions for the poor.

Housing.—A number of programs have been designed to help the poor receive full value for dollars spent on housing. It is essential that poor people be aware of the choices available to them in the housing area. Without such information, choices do not exist. The poor need to know what subsidies are available, how to go about finding satisfactory housing, how much to pay, how to judge housing adequacy, and what respective responsibilities the landlord and tenant have.

To accomplish this, our agency supports comprehensive housing service programs, which usually operate out of multipurpose neighborhood centers. Among other things, these housing programs provide—

Information on what public and private housing programs offer.

Immediate aid when housing is needed on an emergency basis.

Instruction on what building codes are designed to do and how to utilize them.

Moreover the community action program is using demonstration funds to stimulate nonprofit housing development corporations which are financed principally by the community. This effort makes possible the efficient utilization of available Federal housing construction programs to bring better housing to the poor.

Other programs.—To further aid consumers who are poor, we have commissioned Columbia University to make a definitive study of varied consumer problems. Also, the Bureau of Labor Statistics is making a special study for us to determine how much the poor pay for appliances and clothing.

The following are our expenditures in fiscal year 1966 for programs specifically intended to help consumers:

Home management instruction: $2,726,609 for 55 grants that reached 739,921 persons.

Family financial counseling: $460,235 for 10 grants that reached 21,102 families.

Consumer information and education: $1,403,860 for 18 grants that reached 106,514 people.

In other consumer services and programs, including demonstration grants and housing services, we spent $3,246,022 for 15 grants that reached 382,813 people.

It should be pointed out that the average per person cost for home management instruction was $3.70. For family financial counseling, it was $21.81 per family. For development of low cost credit unions, the average per person cost was $2.21. For consumer information and education, the average per person cost was $13.18. For all other grants, the average per person cost was $8.48.

Also, the 30,000 young men and women in the Job Corps all receive instruction in budgeting, financial counseling, and consumer education. This is very important for successful living in the society they will enter at the end of their training.

Based on what we have done and what we have learned, we should consider what might be done now to help the poor to enjoy the same access to the lowest possible market prices and interest rates that are available to their more fortunate fellow American. We believe a community can bring consumer programs into better focus with respect to the needs of the poor by organizing these programs in a type of "package" for each poverty target area. The end result would be a "consumers clinic," which would address itself to consumer problems in the same way a medical clinic treats their physical ailments. The essential elements of these clinics would be:

A consumer education and information program, designed to make the poor aware that it is possible to get more value out of their dollars by buying wisely.

A family financial counseling program, which would advise on budgeting and debt management and help consolidate debt and, if possible, reduce it.

A credit union, which would give the poor access to reasonable interest rates, and finance debt consolidation, where necessary.

A home management instruction course to help homemakers organize for decent and pleasant family living.

Since one or more of these programs is already operating in many communities, these communities would have only to add the other components. In the areas where such programs are operating, we have generally received increasingly enthusiastic cooperation of local businessmen. They have realized that a customer with some consumer counseling and access to reasonable credit is less likely to overextend his credit and is more likely to pay his bills on time. The net effect is an increase in profits for local businessmen.

One of the most difficult tasks we have had in the consumer program—and in all antipoverty programs as well—is communicating with the poor. For the most part, the poor shy away from middle-class language because it means little to them. They listen to radio stations which service their program taste. They speak a language of their own. Many of them do not read the newspapers. Many of

them cannot read at all. Some of them do not know what the word "consumer" means. To develop methods of reaching the poor, we have funded a pilot consumer program in San Francisco and Oakland, operated by the Bay Area Neighborhood Development Foundation. This organization has used special leaflets, radio announcements, and door-to-door surveys by poverty area residents themselves in order to communicate with the poor. It has established four thriving neighborhood programs and four neighborhood credit unions. Its impact on the residents of these communities has been great.

We have a long way to go before the poor of our country can reach the level of sophistication as consumers which will help them to break the poverty cycle. But nothing in this task of eliminating poverty is either quick or easy. President Johnson said it so well in his poverty message to Congress in 1964:

" * * * The path forward has not been an easy one. But we have never lost sight of our goal—an America in which every citizen shares all the opportunities of his society, in which every man has a chance to advance his welfare to the limit of his capacities. We have come a long way toward this goal. We still have a long way to go. The distance which remains is the measure of the great unfinished work of our society * * *"

Mr. Chairman, we are trying to finish that work so that the poor may truly share in the promise of America.

Thank you.

Mr. ROSENTHAL. Does time permit us an honest try, or does it require more than that?

Mr. BERRY. It requires more than that, Mr. Chairman; it requires not only a try but a massive commitment, both by the American people and by the Government, and the Government response to the consensus, or at least the prevailing opinion, of the great mass of the American people, and I do not believe that there is yet the great mass commitment recognizing that exploitation does still prevail in America against people who can least afford to sustain it or bear it.

Mr. ROSENTHAL. And if it continues to prevail what, in your opinion, are the results going to be?

Mr. BERRY. I think we will continue to have restlessness, frustration, and embittered lashing out against the system that enmeshes them.

Mr. ROSENTHAL. How essential are effective consumer action programs to a realization of the goals of the war on poverty?

Is the consumer action program a necessary element, a very necessary element, to the war on poverty?

Mr. BERRY. I believe that it is. It is an important component of the address to the complexity of problems in poverty.

Mr. ROSENTHAL. Do you consider that the problems of the poor include both jobs, housing, and consumer ability?

Mr. BERRY. Yes, because merely the delivery of jobs, merely the increase in income, would still result in the exploitation of the increased dollars unless there is the information, education, the sophistication in the use of the credit systems that have been devised and, unfortunately, I do not know whether this is a correct term, but in my lifetime I have observed that the emphasis is more in the direction of not saving and buying what you need with what you can afford to buy but to buy as much as the credit situation will encourage you; that the installment system, the credit system, even among the people who can least afford to buy many of the things that are advertised with very slick advertising, is a way of life, and we have to help those people know the fallacies and the traps and the pitfalls they get into by the easy response to credit buying.

Mr. ROSENTHAL. Can human behavior be changed to eliminate this attitude?

Mr. BERRY. I would not want to make any pronouncement on that. I think human behavior can be influenced, depending upon the emphasis you want to put on what you want them, how you want them to act and respond. Presently, we are in a society in which the money-changers call the tune.

Mr. ROSENTHAL. How many community action agencies exist today, and how many of them have comprehensive consumer programs?

Mr. BERRY. There are some 1,100 community action agencies; 750 of them have been funded. Some 275, more or less, have program development grants; some 120 are waiting for some type of funds to implement programs.

Mr. ROSENTHAL. What percentage of the total OEO budget is directed to the consumer action programs?

Mr. BERRY. Well, Mr. Chairman, our budget, according to the President's budget, would be for all types of programs; some $900 million for this coming fiscal year. I say $900 million, more or less.

Mr. ROSENTHAL. You mean that is for the total OEO budget, the $900 million, or the community action?

Mr. BERRY. Community action.

Mr. ROSENTHAL. And the total OEO budget is how much?

Mr. BERRY. $1,750 million, including delegated programs.

Mr. ROSENTHAL. Of the $1,750 million how much is going to consumer activity programs within OEO?

Mr. BERRY. Mr. Chairman, I would prefer to deal with the community action program portion of that fund.

Mr. ROSENTHAL. But this subcommittee has no jurisdiction over anything other than consumer activities and that is why I am obliged to ask that question.

Mr. BERRY. Well, in the community action program is where the basis of the money, the principal money, is going; therefore, we ought to relate the percentage to what we have some jurisdiction over, rather than the $1,750 million.

I would say, out of $900 million, we have approximately $8,500,000 that has gone into community action, which would be consumer action.

Mr. ROSENTHAL. It is a little less than 1 percent of the OEO budget that is going into consumer-related activities.

Mr. BERRY. At this present moment, yes.

Mr. ROSENTHAL. That is not very encouraging, is it?

Mr. BERRY. It is not—I think it is encouraging to a degree, but not up to the magnitude of the problem, particularly when we view it in the context of the total complex of programs which we have funded.

Mr. ROSENTHAL. You suggested to me in response to an earlier question, that you felt that consumer activities are equally as important as activities on behalf of improved housing and increasing job opportunities. And yet in terms of, and in relation to, money spent there does not seem to be any comparison.

Mr. BERRY. Mr. Chairman, I hope you are not insensitive to the pressures that our office has been under in responding to community demand for types of program.

It is a question, a basic question, of whether the Federal Government through our office is going to make a predetermined decision as to what kind of programs will be funded, as a priority, over what com-

munities wished to address themselves to in response to community action concept in the Economic Opportunity law.

Mr. ROSENTHAL. But at the cost of repeating myself, you are the only one that has an overview of all the events that take place in the United States. If they have not learned anything in Harlem and New York City, and you have learned it in Watts by your experience there, you can translate that knowledge into programs which could be useful in New York City to prevent a similar type situation.

Mr. BERRY. We are not the only one, Mr. Chairman. As you mentioned in your introductory remarks, there are 30 other agencies, perhaps, of the Government that have some concern with this. We happen to be the newest agency in which we are trying to exercise the function of being a catalyst, a concerting body, and hopefully to bring together a variety of services that may exist at the community level and within Government to deliver to the communities to give them more effective tools for meeting these needs.

Mr. ROSENTHAL. Well, I remember what you said earlier in your qualification, when you said that your experience with Government was limited. But you would not want to guess what any other agency in the Federal Government is doing, anything about the poor consumer, would you?

Mr. BERRY. Well, the President's—is it the Committee on Consumer Interests, the one headed by Mrs. Esther Peterson?—and OEO are working together. I think that office itself should be strengthened and given some muscle to do something, and not just publicizing what we would like to do.

We would like to have more funds to respond to the communities that are asking for funds, and what we have done so far is not in any way reflective of the number of requests for fundings that are pending in our office, to strengthen the consumer action function of community action agencies.

Mr. ROSENTHAL. Getting back to your operation, how are the successes or failures of consumer action programs in one city transmitted to another city?

Mr. BERRY. Through our program guide, by example of what other communities are doing. We are reporting this, distributing it by exchange of information through community action agencies, and through the community development organization which has been created in the last year as a clearinghouse for success stories of what other communities are doing.

Mr. ROSENTHAL. In other words, what I am trying to find out is what you learned about consumer problems and attitudes in one community, do you translate into action in another community?

Mr. BERRY. We translate it as information of programs that a community might very well unertake to extend the impact of their use of the Federal dollars in removing some of the causes of poverty in their communities.

Mr. ROSENTHAL. Do you have any examples of where a community responded to what you have just told us about?

Mr. BERRY. Well, there are several communities in the Los Angeles—not in Los Angeles, but in California—that have sought funding of the type of consumer action effort made through our grant, our demonstration grant, in the San Francisco and Oakland area.

Likewise, the State of California has cooperated through their credit union organization in encouraging and extending the whole concept of developing credit unions in poor communities.

Mr. ROSENTHAL. Have you been in communication, for example, with the Department of Commerce as to what they can do to suggest to businessmen that they cooperate with consumer action programs?

Mr. BERRY. Mr. Hollister has been the liaison with the Federal Trade Commission and some other Government departments and I would like for him to respond to that.

Mr. HOLLISTER. I think we would all prefer to have them speak for themselves, Mr. Chairman, but, as far as we know, they are gathering themselves together—we have had several preliminary discussions about this, and the Federal Trade Commission, with one or two of the Commissioners who are interested in this program.

Mr. ROSENTHAL. You make me very confident to hear this. [Laughter.]

Mr. HOLLISTER. The Food and Drug Administration has just announced a renewed interest in this area, to our knowledge.

Mr. ROSENTHAL. One of the reasons for this special inquiry—one of the reasons that Chairman Dawson set up this special inquiry, was to find out: What the Federal Government is doing on behalf of the American consumer and how they are communicating with each other.

Mr. HOLLISTER. Well, one of the primary channels of communications we have set up by mutual agreement with the President's Committee on Consumer Interests, through that Committee. They have no funds, as you know, and they are ideally situated to act as liaison between the Federal agencies, and we have an agreement that they will keep us in contact and act as liaison with these other agencies. They are carrying the burden.

Mr. ROSENTHAL. In other words, you have no direct contact with any Federal agency as to what you are doing with the poor consumer.

Mr. HOLLISTER. Yes, we have.

Mr. ROSENTHAL. What is the Department of Commerce doing?

What is the Department of Agriculture doing?

What is the Department of Labor doing?

Mr. HOLLISTER. The Department of Agriculture is distributing about $6 million of OEO funds on small loans and also on loans designated in the act for funding cooperatives. They funded in the first half of 1966 about 190 such cooperatives, most of them being small—some are of substantial size.

Mr. ROSENTHAL. Is this a retail-selling cooperative?

Mr. HOLLISTER. Most of these are farm cooperatives in rural areas.

Mr. ROSENTHAL. What do they do?

Mr. HOLLISTER. They buy farm equipment for low-income farmers. They provide marketing facilities.

Mr. ROSENTHAL. This has nothing to do with the consumer function.

Mr. HOLLISTER. It has an important indirect relationship, Mr. Chairman. They are funding such things as feeder-pig cooperatives, which, the Department of Agriculture tells us in our conversation with them, is going to be an important means of keeping the price of pork down for all Americans.

Mr. ROSENTHAL. These cooperatives that you are talking about, this $6 million is of direct help to the farmers. You do not want to——

Mr. HOLLISTER. The poor farmer.

Mr. ROSENTHAL. The poor farmer.

Mr. HOLLISTER. Yes.

Mr. ROSENTHAL. The thrust of the Department of Agriculture is on behalf of the farmer. This subcommittee is trying to find out who is working for the consumer.

You are not suggesting that the $6 million is raising the consumer ability of the poor.

Mr. HOLLISTER. Not directly.

Mr. BERRY. Not directly.

Mr. ROSENTHAL. What agency in the Federal Government that you know of is doing anything on behalf of the poor consumer besides your $8 million?

Mr. HOLLISTER. The Bureau of Federal Credit Unions.

Mr. ROSENTHAL. What are they doing?

Mr. HOLLISTER. They monitor, they audit, the books of every credit union. They have over 500, I should say about 500, low-income credit unions established so far, of which our 70 or so are a small number. These are defined as being credit unions that have a field of membership where the income is two-thirds the income of the median income of the area in which they are located, and it averages out to about $4,000 a year—I mean the median income of the members of the credit unions.

Mr. ROSENTHAL. How many of these were started since the war on poverty began?

Mr. HOLLISTER. I do not have the figures. We know about 70 that we have had something to do with.

Mr. ROSENTHAL. The 70 you had something to do with reached about how many people out of the 32 million?

Mr. HOLLISTER. Well, as Mr. Berry has pointed out a moment ago, it is difficult. They have a membership from about 100 to up to 1,500, 2,000—the new ones we have funded. You can take a median or an average on that, but the figure is, probably would not exceed, 15,000, 20,000, 30,000 people—someplace in that area.

Mr. BERRY. Mr. Chairman, I do not think we should—I think the area of your inquiry is altogether desirable and needed. We are not going to speak for any other agency of the Government other than our own. I think when the total picture is put together you will find that in proportion to the need there is much yet to be done both by the Federal Government and State governments in continuing an address to the problems of the low-income consumer.

It remains to be seen at what point the issue will really be joined, because there are substantial interests that may be desirous of deterring a real in-depth and sustained activity on their behalf.

Mr. ROSENTHAL. Those interests would be who?

Mr. BERRY. Well, I would not attempt to identify them particularly, except to say that the profit motive is still the question of the highest priority.

Mr. ROSENTHAL. Do you agree with Professor Caplovitz' thesis that the poor, because of their buying habits, their having to pay exorbitant interest on credit, having their salaries garnisheed, they are taken out of the economic market; and these consumer habits really contribute to unemployment in the case of such individuals?

Mr. BERRY. There is substantial evidence that poor buying habits, the overextension and use of the kind of credit that is made available, the kind of paper they have to sign to secure it, which mortgages them and their jobs, because that is the only security that they have, and the processes by which that paper or that legal obligation is enforced against them does contribute substantially to unemployment. The short-term employment they have is usually cut off.

I know, from my own experience, the large number of persons who lost their jobs when they got that second garnishment. So, it is a substantial contribution to unemployment and to continuing them in poverty, so that if they could modify, retrench, consolidate their debt, and be made aware that there are other sources, through a credit union, that they can consolidate their debt, and follow a practice or habit of buying within their means, that they might be able to be assisted. But it is a vicious cycle in which they get themselves, and it virtually discourages them, knowing that they are burdened with debt, discourages them from seeking employment, because they say, "As soon as I get a job, after my first payday or even before my first payday, I will have it garnisheed."

Mr. ROSENTHAL. Would you suggest that this attitude affects a large number of people?

Mr. BERRY. This, I think, has not been statistically evaluated, and this is one of the purposes of the contract that we had with the Department of Labor Statistics in their analysis or study of the high cost of commodities purchased by the poor.

Mr. ROSENTHAL. Thank you, Mr. Berry. I think you have made a very meaningful contribution to the inquiry.

Today is the first day of the inquiry. What we are very much concerned with, besides the economy and efficiency of each agency in meeting its responsibilities to the consumer, is the extent of cooperation and communication between agencies in the consumer field.

At the moment, I do not know a great deal about how your agency cooperates with other agencies on behalf of the poor consumer.

So, I would appreciate it if you would send us a supplemental statement on the extent of cooperation between your agency and other Federal agencies on behalf of the poor consumer, the nature and type of communication you have with them, the number of meetings you have with the departments, the programs that you have formulated in cooperation with other Federal departments. This is really the crux and the thrust of this inquiry.

(Subsequently, the following statement was submitted:)

The Division charged with responsibility for consumer action is the Community Services Division of CAP.

Thus far its relations with other Federal agencies has included the Bureau of Federal Credit Unions of the Social Security Administration in HEW, the President's Committee on Consumer Interests, the Federal Trade Commission, the Bureau of Labor Statistics of the Department of Labor and the Small Business Administration.

Although formal tabulation of the number of meetings has not been made, the responsible Division of OEO has had several consultations over the past year with these agencies.

The specific results of our coordination have been as follows:

(a) An interagency agreement between OEO and BFCU, involving a transfer of $125,000 to BFCU for a training program entitled "Operation Moneywise." Operation Moneywise trains selected local personnel in problems of the low-

income consumer, credit union organization and operation, financial counseling, etc.

The overall purpose is to train local leadership for credit union and consumer activity.

By January 1967, programs will have been completed in Boston, New York, Washington, D.C., Chicago, Los Angeles and New Orleans. A total of 150 neighborhood trainees will have been graduated for work in their communities.

Liaison continues with the BFCU and we are now negotiating a new agreement for further indigenous training.

(b) There have been several contacts with the President's Committee on Consumer Interests. The nature of our coordination breaks down into the following:

1. Consultation on the design of OEO comprehensive consumer planning,
2. Arranging coordination through the President's Committee of liaison with all other Federal agencies having consumer programs,
3. Participation in conferences with private groups and associations having consumer concern.

(c) Consultation with the Federal Trade Commission to explore how OEO and the FTC can work together. The FTC is presently considering a training device for use by local antipoverty workers in community action programs.

(d) Discussion between OEO and SBA in an attempt to relate more directly the small business loan program to consumer action.

(e) Interagency agreement between OEO and the Bureau of Labor Statistics to provide information regarding the prices which the poor are forced to pay for groceries and hard goods. The survey covers ten cities at a cost of $30,000. The final reports which do document the fact that the poor pay more have been completed and have just recently been submitted to OEO.

(f) A meeting between the Food and Drug Administration and OEO's Community Representatives Advisory Council (CRAC) is set for November. This will enable the FDA to solicit grass-roots opinions on consumer problems.

OEO is not only coordinating efforts among Federal agencies, but is also working with nonprofit organizations and private companies.

Four nonprofit organizations have been contracted by OEO to provide to the Federal Government and the war on poverty to particular consumer action oriented expertise of that organization.

(a) Contract with CUNA, International, Inc. (Credit Union National Association), ($19,500) to provide assistance to low-income groups which wish to develop credit unions and consumer action programs and to provide assistance to existing credit unions which wish to expand their service to low-income areas. CUNA is also providing OEO with information regarding the particular needs of credit unions serving low-income groups.

(b) Contract with the Cooperative League of the USA ($162,922) to give technical assistance and training to low-income groups interested in establishing co-ops. The Co-op League has prepared a manual giving the details and steps necessary for establishing co-ops. Much of co-op activity is only indirectly related to consumer action. However, much of the Co-op League activity centers on buying clubs, buying fairs, and retail co-ops, all of which are directly concerned with consumer action.

(c) Research grant with Columbia University, under the direction of Dr. David Caplovitz, to study and make recommendations for improving the consumer credit system as it applies to the poor. The entire grant covers a 2½-year period, the first year costing $98,450.

(d) Conferences and consultation meetings have been held with the Community Services staff of AFL–CIO in an attempt to assist in program design. The first such program will be developed in the near future for the Milwaukee area.

In the private sector, John Sutherland & Associates are under contract to OEO to prepare a film designed to advise the poor about their consumer rights and what they can do to secure those rights. The contract is for $60,000 and will be completed in approximately 2 months.

In addition to the Sutherland contract, OEO has held conferences with many leading firms in the business community. The following are representatives:

(a) American Banking Association.
(b) Sears, Roebuck & Co.
(c) Montgomery Ward.

(d) Beneficial Finance Corp.
(e) Spiegel's.
(f) Western Auto.
(g) J. C. Penney.
(h) National Institute of Life Underwriters.

As a outcome of these contacts, OEO has learned a great deal concerning the problems faced and solutions tried by business in poverty areas. Other results to date of the meetings have been:

(a) Beneficial Finance will assist in debt counseling training programs, and we are now working out a plan of operation for this in one major city area (Los Angeles) if the program there is funded.

(b) J. C. Penney has shared information on their credit experiences with the poor of Southeast United States. They informed us that Penney's has a credit business in Southeast area of the United States and has found that low-income groups are as good a risk as anyone. Main problem seemed to be that when credit account was opened, the poor overbought—not frivolously—but of things they needed (mainly clothes for children) and they needed everything.

(c) Sears and Wards have offered cooperation in opening credit opportunities to poor. Also Sears is considering a training program for their own sales force, the thrust being to sell "down" not "up" to low-income credit customers.

(d) The National Life Underwriters Association has expressed an interest in lending training skills in insurance to local groups through OEO.

(e) Beneficial Finance offers to prepare proposal in which they agree to match credit union performance on an experimental basis. We are awaiting this proposal now.

(f) Meetings are scheduled with most of our present business contacts, in early December, at which time their proposals and offers of cooperation will be discussed.

Mr. ROSENTHAL. On another point, my own observation, Mr. Berry, is that you are quite right that really nothing is going to happen on behalf of the poor consumer, or the American consumer, until there is a massive commitment on behalf of the American consumer by all the government agencies involved in the problem. The consumer interests have always been so varied and so widespread and so unidentified that people have not really accepted this as a clear-cut problem they could zero in on. I think you folks have, for the first time, but what you have committed to doing it with, $8 million or so, is really quite small.

I am sure it is not your fault, and I am sure that Congress is largely responsible for the failure to meet the need, to a great extent.

I am hopeful the meetings and discussion and dialog that follow these hearings will be useful to your agency.

I also hope those who make up your budget will, in terms of allocating funds and priorities, give the consumer activity programs a little extra attention, because, it seems to me as you and Professor Caplovitz have suggested that this is as important as jobs and housing.

The special inquiry stands adjourned.

(Whereupon, at 12:05 p.m., the Special Inquiry stood adjourned subject to the call of the Chair.)

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