

**ADEQUACY OF THE ADMINISTRATION'S
ANTI-INFLATION PROGRAM**

**(Part 2—Dallas, San Francisco, Sacramento, Detroit, Chicago, New York,
Youngstown, and Washington, D.C.)**

796024016

**HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES**

NINETY-SIXTH CONGRESS

FIRST SESSION

MAY 3, 4, 5, 7, 11, 18; JUNE 18 AND 28, 1979

Printed for the use of the Committee on Government Operations



5309922

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1979

COMMITTEE ON GOVERNMENT OPERATIONS

JACK BROOKS, Texas, *Chairman*

L. H. FOUNTAIN, North Carolina	FRANK HORTON, New York
DANTE B. FASCELL, Florida	JOHN N. ERLÉNORN, Illinois
WILLIAM S. MOORHEAD, Pennsylvania	JOHN W. WYDLER, New York
BENJAMIN S. ROSENTHAL, New York	CLARENCE J. BROWN, Ohio
FERNAND J. ST GERMAIN, Rhode Island	PAUL N. McCLOSKEY, Jr., California
DON FUQUA, Florida	THOMAS N. KINDNESS, Ohio
JOHN CONYERS, Jr., Michigan	ROBERT S. WALKER, Pennsylvania
CARDISS COLLINS, Illinois	ARLAN STANGELAND, Minnesota
JOHN L. BURTON, California	M. CALDWELL BUTLER, Virginia
RICHARDSON PREYER, North Carolina	LYLE WILLIAMS, Ohio
ROBERT F. DRINAN, Massachusetts	JIM JEFFRIES, Kansas
GLENN ENGLISH, Oklahoma	OLYMPIA J. SNOWE, Maine
ELLIOTT H. LEVITAS, Georgia	WAYNE GRISHAM, California
DAVID W. EVANS, Indiana	JOEL DECKARD, Indiana
TOBY MOFFETT, Connecticut	
ANDREW MAGUIRE, New Jersey	
LES ASPIN, Wisconsin	
HENRY A. WAXMAN, California	
FLOYD J. FITHIAN, Indiana	
PETER H. KOSTMAYER, Pennsylvania	
TED WEISS, New York	
MIKE SYNAR, Oklahoma	
ROBERT T. MATSUI, California	
EUGENE V. ATKINSON, Pennsylvania	

WILLIAM M. JONES, *General Counsel*

JOHN E. MOORE, *Staff Administrator*

ELMER W. HENDERSON, *Senior Counsel*

JOHN M. DUNCAN, *Minority Staff Director*

COMMERCE, CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE

BENJAMIN S. ROSENTHAL, New York, *Chairman*

ROBERT T. MATSUI, California	LYLE WILLIAMS, Ohio
EUGENE V. ATKINSON, Pennsylvania	JIM JEFFRIES, Kansas
FERNAND J. ST GERMAIN, Rhode Island	JOEL DECKARD, Indiana
JOHN CONYERS, Jr., Michigan	
ELLIOTT H. LEVITAS, Georgia	

EX OFFICIO

JACK BROOKS, Texas

FRANK HORTON, New York

PETER S. BARASH, *Staff Director*

HERSCHEL F. CLESNER, *Chief Counsel*

JEAN S. PERWIN, *Counsel*

STEPHEN R. MCSADDEN, *Counsel*

CONTENTS

	Page
Hearings held on—	
May 3, Dallas.....	1
May 4, San Francisco.....	99
May 5, Sacramento.....	207
May 7, Detroit.....	283
May 11, Chicago.....	417
May 18, New York.....	553
June 18, Youngstown.....	727
June 28, Washington, D.C.....	781
Statement of—	
Allen, Dorothy, member, senior citizens group, St. Gregory's Parish, Manhattan.....	683
Allenby, Cliff, program budget manager, Department of Finance, State of California; accompanied by Pauline Sweezy, chief economist.....	226
Anderson, Hugh B., assistant attorney general, State of Michigan.....	301
Arbitman, William A., San Francisco Regional Office, Federal Trade Commission.....	187
Banner, Russell.....	775
Bienstock, Herbert, Regional Commissioner, Bureau of Labor Statis- tics, U.S. Department of Labor.....	597
Bosworth, Barry P., Director, Council on Wage and Price Stability..	828
Brady, Bernard, Seniors Union for Social Justice; accompanied by Helen Moore and Ruby Will.....	279
Brown, Frances, California Legislative Council for Older Americans..	144
Brown, Stephen, AFL-CIO Community Services.....	149
Buchanan, Herbert F., Deputy District Manager, Southwest District, Enforcement Division, Economic Regulatory Administration, U.S. Department of Energy.....	18
Bullock, Viola.....	353
Bursie, Margaret, American Friends Service Committee.....	336
Burtch, Jack, Warren Area Chamber of Commerce.....	759
Chapman, William Earl, secretary-treasurer, Dallas AFL-CIO, accom- panied by James Holbrook, Communications Workers; Lloyd Crain, president, Dallas Building Trades Council; and Gray McBride, State, County; and Municipal Employees.....	26
Christian, Robert, director, Youngstown Area Community Action Council.....	764
Coates, Patricia, executive director, Food Advisory Service.....	116
Coleman, Walter, cochairman, Heart of Uptown Block Club Coalition for Jobs and Housing, and president, Uptown People's Community Health Services Organization.....	464
Conhelm, Harvey, volunteer with Senior Action Line, Community Serv- ices Society of New York.....	572
Cook, Dale, region IX, Department of Energy.....	169
Cook, Liz.....	277
Covintree, George, Jr., director, Southeastern Michigan Food Coalition..	363
Cummins, Alden, executive director, Health Systems Agency of Eastern Ohio.....	777
Cunningham, Father William, Shrine of Madonna, Focus Hope.....	401
Curran, Frank, president of New Homes.....	409
Davis, Gladys, Fort Greene area.....	581
Dennison, Margaret, member, Trumbull County Board of Commission- ers, Warren, Ohio; accompanied by John Palermo, chairman, Ma- honing County Board of Commissioners, Youngtown, Ohio.....	747
Drain, Lela, resident of Chicago.....	430

IV

(Statement of—Continued)	Page
Bvicci, Fred, editor, Senior Citizens Weekly-----	257
Fahrner, Homer-----	258
Fay, Lucille-----	261
Feinman, Carol, director, Department of Public Interest, Community Services Society of New York-----	568
Ferguson, Melva, welfare mother-----	486
Fischer, William, Deputy Regional Commissioner, Bureau of Labor Statistics-----	377
Fishman, Al, Coalition for Economic Justice-----	346
Floyd, Aaron, president, Association of Community Action Agencies; accompanied by June Ross; Emma Carter; Thurman Dorsey; and Mike Paco; members-----	43
Finnigan, Matthew, housing specialist, city of San Francisco, Commission on Aging; accompanied by Abe Papkoff, program staff specialist-----	100
Francis, Jacqueline, home management program, Willoughby House Settlement, Brooklyn; accompanied by Dorothy James-----	581
Frank, Maurice, Food and Hunger Hotline, New York City-----	578
Frazier, Rosa, chairman, single parents family project, Community Services Society of New York-----	569
Gable, Justine, consumer reporter, Morristown Daily Record, New Jersey-----	685
Galbraith, John Kenneth, professor, Harvard University-----	554
George, William-----	778
Graham, Roberta, director, SCOPE, Inc., Warren, Ohio; accompanied by Julia Koch, member, SCOPE-----	735
Green, Emma, representing the Chicago Defender Advisory Board, the Englewood Community Organization, and the Hospital of Englewood-----	463
Greenberg, Cora, United Neighborhood Houses-----	564
Guerriero, Rich, Youngstown, Ohio-----	771
Halpern, Fannie, Congress of Senior Citizens, National Council of Senior Citizens, and Retired Teachers Chapter of the United Federation of Teachers-----	680
Hammerman, Murray, North Atlantic Milk Processor's Association-----	688
Harris, Sheri, vice president, consumer affairs and research, Northern California Grocers Association-----	273
Hausey, Willie, district assistant to State Senator Albert S. Rodda-----	219
Hayes, John, American Association of Retired Persons, Dallas chapter-----	55
Height, Benjamin-----	270
Hernandez, Lenora, home management program, United Neighborhood Houses-----	567
Hodin, Jay, executive director, Society for the Protection of the Unborn Through Nutrition-----	488
Holladay, Scott, Association of Community Organizations for Reform Now-----	59
Hueholt, Richard L., vice president of governmental and public affairs, Dallas Chamber of Commerce, Dallas, Tex-----	81
Hunter, Jack C., vice president, Mahoning National Bank, Youngstown, Ohio-----	755
Isenberg, Philip L., mayor, Sacramento, Calif-----	208
Ivancevich, Robert E., executive director, Illinois State Cost Containment Committee-----	497
Jackson, Lee-----	543
Johnson, Dolores, of Self Help Action of Chicago; accompanied by Paul Horvatz-----	426
Johnstone, Weston, executive director, Youngstown Area Chamber of Commerce-----	757
Kahn, Alfred E., Chairman, Council on Wage and Price Stability-----	782
Kane, Sister Diane, Washington Heights Inwood Interagency Council on the Aged-----	680

(Statement of—Continued)

Katzman, Martin, head of graduate program in political economy, University of Texas, Dallas, Tex.; accompanied by Peter Lewen, resident expert on macroeconomic policy, University of Texas-----	Page 85
Keenan, Milton A., Assistant Regional Commissioner, Bureau of Labor Statistics-----	157
Kicinski, Walter T., deputy secretary to Gov. Hugh L. Carey of New York State, and staff director of Governor Carey's Affairs Cabinet; accompanied by Robert Schweikert and Jim Brumfield-----	657
Klein, Robert, Office of Revenue and Tax Analysis, Department of Management and Budget, State of Michigan-----	284
Kronberg, Shirley, executive director, Neighborhood Service Centers, Council of the New York Hotel and Motel Trade Council, AFL-CIO-----	583
Langford, Anna, attorney, former alderwoman of the 16th ward, city of Chicago-----	544
Lee, Nancy-----	262
Leseganich, Frank, director, District 26, United Steel Workers of America; accompanied by Robert Guthrie, recording secretary, United Auto Workers Local 1112, Warren, Ohio; and William Lyden, president, Building Trades Council, Youngstown, Ohio-----	738
Lewis, Alfred, member, advisory committee board of Self Help-----	430
Low, Robert A., regional representative, U.S. Department of Energy; accompanied by Herb Malik, Office of Enforcement-----	622
McCusker, Philip, Illinois Job Service-----	538
McGarry, Sister Eleanor, director, Senior Center at St. Gregory's Parish, Manhattan-----	683
Mann, Reverend, Helping Hand Community Center-----	573
Mason, Leola-----	413
Minsk, Abraham, first vice president, Pommerack Senior Citizens Center-----	681
Moon, Louise-----	260
Mozell, Henry, Oakland-Alameda County Consumers Council; accompanied by Jane Lopez and Dorothy Corbin, senior citizen-----	124
Murphy, Martha, director, Area Agency on Aging, Youngstown, Ohio-----	728
Murphy, Hon. Morgan F., a Representative in Congress from the State of Illinois-----	418
Noel, John, assistant attorney general, State of Illinois-----	535
Norbeck, Marie-----	263
Novicky, Genevieve, clerk-treasurer, Boardman Township, Ohio-----	768
Ohlson, Joan, social worker, Henry Street Settlement, Lower East Side of Manhattan-----	579
Ortiz, Carmine, welfare recipient-----	570
Osgood, Herbert-----	773
Oshiro, Carl, San Francisco Office of Consumers Union; accompanied by Susan Foote-----	178
Parker, Delores, CETA employee-----	545
Parks, Rosa-----	405
Payne, Nell-----	338
Rain, Donald, of "We the People"-----	185
Ratner, Bruce, commissioner of consumer affairs, New York City-----	693
Ribaudo, Beverly, St. Clair Shores, Mich-----	343
Rrice, William E., Regional Commissioner, Bureau of Labor Statistics, region V, Department of Labor-----	433
Rice, William E., Regional Commissioner, Bureau of Labor Statistics, region VI, U.S. Department of Labor-----	2
Richie, Leroy C., Regional Director, Federal Trade Commission, New York Office-----	709
Rosen, Sid-----	391
Rosenthal, Hon. Benjamin S., a Representative in Congress from the State of New York, and chairman, Commerce, Consumer, and Monetary Affairs Subcommittee: Opening statement-----	1
Ruben, Rabbi-----	538
Sadat, Roxanne, social service coordinator for the Near South Parent-Child Center-----	472
Sadler, Rosetts-----	415

VI

(Statement of—Continued)

Sels, Marilyn, Dallas Legal Service; accompanied by Juarene Hollins; Elvira Morales; Reba Akins; Roberta Johnson; Lois Christian; Cora Lee Sirla; and Allene Hardy	Page 35
Severin, Sol, member, Pommerack Senior Citizen Center	682
Shavers, Dorothy, executive director, Self Help Action of Chicago	419
Sheedy, Joseph "Ted," supervisor, county of Sacramento	247
Shepard, James M., private citizen	77
Smith, Juereta, Regional Director, Dallas Regional Office, Federal Trade Commission	65
Smoke, Al, representing labor movement, cooperative fraternal organizations, health care organizations of New York in the consumer field	686
Spiegel, Michael, assistant attorney general, State of California	168
Starkey, Fred	264
Steiner, Frank, executive director, Michigan Committee on Law and Housing	367
Stern, Chuck, executive director, Nutrition, Hunger, and Malnutrition Task Force, city of Detroit	407
Stocks, Dr. Anthony, Department of Economics, Youngstown State University	766
Tacklit, Warner, Highland, Ohio	770
Teague, Joe Louis, Youngstown, Ohio	772
Thayer, Leslie	354
Turley, Paul W., Regional Director, Chicago Regional Office, Federal Trade Commission	519
Turner, Thomas, president, Wayne County AFL-CIO Council	394
Vizet, Laura, citizen	571
Widdiham, Pat, general consumer home managers' education program, New York City Board of Education	686
Wilbur, Chuck, vice chairperson, Michigan Coalition on Utilities and Energy	324
Williams, Lindell J., Deputy District Manager, Central Enforcement District, Federal Energy Regulatory Administration, U.S. Department of Energy	453
Willis, Nezzie, welfare rights advocate	515
Woods, Melissa, Association of Community Organizations for Reform Now	351
Writtenhouse, Frances, member, AARP chapter, Dallas, Tex.	58
Yeager, George, Council of Civil Service Workers, delegate for Congress of Senior Citizens, member of Delegation of Queens Congress of Senior Citizens, Civil Service	684
Letters, statements, etc., submitted for the record by—	
Allenby, Cliff, program budget manager, Department of Finance, State of California: Prepared statement	239-246
Anderson, Hugh B., assistant attorney general, State of Michigan: Prepared statement	307-323
Arbitman, William A., San Francisco Regional Office, Federal Trade Commission: Prepared statement	191-198
Bienstock, Herbert, Regional Commissioner, Bureau of Labor Statistics, U.S. Department of Labor: Prepared statement	606-621
Bosworth, Barry P., Director, Council on Wage and Price Stability: Prepared statement	829-845
Brown, Stephen, AFL-CIO Community Services: Prepared statement	151-156
Buchanan, Herbert F., Deputy District Manager, Southwest District, Enforcement Division, Economic Regulatory Administration, U.S. Department of Energy: Prepared statement	22-25
Bursie, Margaret, American Friends Service Committee: Prepared statement	343-345
Carey, Hugh L., Governor, State of New York: Prepared statement	672-679
Coates, Patricia, executive director, Food Advisory Service: Prepared statement	120-123
Corbin, Dorothy, senior citizen: Prepared statement	127

VII

(Letters, statements, etc.—Continued)

	Page
Dennison, Margaret, member, Trumbull County Board of Commissioners, Warren, Ohio: June 20, 1979, letter to Chairman Rosenthal—	750
Finnigan, Matthew, housing specialist, city of San Francisco, Commission on Aging: Prepared statement with attachments—	108-115
Fischer, William, Deputy Regional Commissioner, Bureau of Labor Statistics: Prepared statement—	381-390
Hammerman, Murray, North Atlantic Milk Processor's Association: Prepared statement—	690-692
Hausey, Willie, district assistant to State Senator Albert S. Rodda: Prepared statement—	222-225
Hayes, John, American Association of Retired Persons, Dallas chapter: Apr. 26, 1979, memorandum concerning Chairman Rosenthal's hearings—	55
Hodin, Jay, executive director, Society for the Protection of the Unborn Through Nutrition: Prepared statement—	490-496
Isenberg, Philip L., mayor, Sacramento, Calif.: Prepared statement—	214-218
Ivancevich, Robert E., executive director, Illinois State Cost Containment Committee: Prepared statement—	500-514
Julian, Anthony C., director, Youngstown Office of Consumer Affairs: Prepared statement—	779-780
Kahn, Alfred E., Chairman, Council on Wage and Price Stability: Prepared statement—	790-827
Keenan, Milton A., Assistant Regional Commissioner, Bureau of Labor Statistics: Prepared statement—	161-167
Kent, Barbara, executive director, Queensboro Council for Social Welfare, Inc.: Prepared statement—	723-725
Kicinski, Walter T., deputy secretary to Gov. Hugh L. Carey of New York State, and staff director of Governor Carey's Affairs Cabinet: Prepared statement—	663-671
Klein, Robert, Office of Revenue and Tax Analysis, Department of Management and Budget, State of Michigan: Prepared statement—	289-300
Kronberg, Shirley, executive director, Neighborhood Service Centers, Council on the New York Hotel and Motel Trade Council, AFL-CIO: May 1, 1979, memorandum to central body presidents, from Raymond R. Corbett, president, New York State AFL-CIO, re Operation Price Watch—	591-596
Leseganich, Frank, director, District 26, United Steel Workers of America: Prepared statement—	739-744
Lopez, Jane, Oakland-Alameda County Consumers Council: Brochure on the Western Conference—	134-138
Prepared statement—	142-143
Low, Robert A., regional representative, U.S. Department of Energy: Prepared statement—	629-656
Mozell, Henry, Oakland-Alameda County Consumers Council: Prepared statement—	128-131
Murphy, Martha, director, Area Agency on Aging, Youngstown, Ohio: Questionnaire on how to fight inflation—	731-734
Peterson, Paul R., Regional Director, Cleveland Regional Office, Federal Trade Commission: Prepared statement—	403-405
Ratner, Bruce, commissioner of consumer affairs, New York City: Prepared statement—	700-708
Rice, William E., Regional Commissioner, Bureau of Labor Statistics, region V, Department of Labor: Prepared statement—	440-452
Richey, Bryan, Regional Commissioner, Bureau of Labor Statistics, region VI, U.S. Department of Labor: Prepared statement and additional material—	9-17
Richie, Leroy C., Regional Director, Federal Trade Commission, New York Office: Prepared statement—	713-721
Rosenthal, Hon. Benjamin S., a Representative in Congress from the State of New York, and chairman, Commerce, Consumer, and Monetary Affairs Subcommittee: Additional statements for the record—	90-76
Inflation objectives of the price-deceleration standard by broad commodity groups, table—	848
State of Illinois Bureau of the Budget statement—	547-550

VIII

(Letters, statements, etc.—Continued)

	Page
Sadat, Roxanne, social service coordinator for the Near South Parent-Child Center: Prepared statement.....	476-485
Shavers, Dorothy, executive director, Self Help Action of Chicago: Prepared statement.....	421-425
Sheedy, Joseph "Ted," supervisor, county of Sacramento: Prepared statement	251-256
Smith, Juereta, Regional Director, Dallas Regional Office, Federal Trade Commission: Prepared statement.....	72-76
Spiegel, Michael, assistant attorney general, State of California: Prepared statement.....	175-177
Steiner, Frank, executive director, Michigan Committee on Law and Housing: Prepared statement.....	372-376
Stern, Chuck, executive director, Nutrition, Hunger, and Malnutrition Task Force, city of Detroit: Apr. 18, 1979, letter to State Senator Jack Faxon, from Harold B. Parsons, re food stamp program, Wayne County case No. K1501899A.....	408
Thayer, Leslie: Prepared statement.....	359-362
Turley, Paul W., Regional Director, Chicago Regional Office, Federal Trade Commission: Prepared statement.....	526-534
Wilbur, Chuck, vice chairperson, Michigan Coalition on Utilities and Energy: Prepared statement.....	328-335
Williams, Lindell J., Deputy District Manager, Central Enforcement District, Federal Energy Regulatory Administration, U.S. Department of Energy:	
May 31, 1979, letter, submission to additional subcommittee questions	457-458
Prepared statement.....	460-462
Willis, Nezzie, welfare rights advocate: Prepared statement.....	516-518

ADEQUACY OF THE ADMINISTRATION'S ANTI-INFLATION PROGRAM

(Part 2—Dallas, San Francisco, Sacramento, Detroit, Chicago, New York, Youngstown, and Washington, D.C.)

THURSDAY, MAY 3, 1979

HOUSE OF REPRESENTATIVES,
COMMERCE, CONSUMER,
AND MONETARY AFFAIRS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Dallas, Tex.

The subcommittee met, pursuant to notice, at 11:20 a.m., at 1100 Commerce Street, Dallas, Tex.; Hon. Benjamin S. Rosenthal (chairman of the subcommittee), presiding.

Present: Representatives Benjamin S. Rosenthal, John Conyers, Jr., and Lyle Williams.

Also present: Peter S. Barash, staff director, Jean S. Perwin, counsel; and Jack O. Shaw, minority professional staff, Committee on Government Operations.

OPENING STATEMENT OF CHAIRMAN ROSENTHAL

Mr. ROSENTHAL. The subcommittee will be in order.

Let me first apologize for being late. Congressman Williams of Ohio and I had planned to leave Washington last night, but the House was in session until very, very late, and obviously the weather and thunderstorms have impeded our arrival this morning.

The Commerce, Consumer, and Monetary Affairs Subcommittee is holding hearings in eight cities this month to learn about the impact of inflation on the day-to-day lives of Americans and the performance of regional Federal agencies and State and local officials in the fight against inflation.

Under the Rules of the House of Representatives, this subcommittee is assigned oversight responsibility for determining the effectiveness of Federal agencies charged with combating inflation, including the President's Council on Wage and Price Stability and the Council of Economic Advisers.

Earlier this year, the subcommittee held several days of hearings in Washington into the adequacy of the Federal effort. Those hearings raised questions as to the ability of the Council on Wage and Price Stability to effectively monitor price and profit margin increases in the economy. They also demonstrated that the current wage/price

guidelines ignore the most inflationary sectors of our economy—energy, food, interest rates, and health care costs.

We are deeply distressed that consumer prices rose at an annual rate of 13 percent during the first quarter of 1979.

These regional hearings are being held because we believe it is vital that the Congress and other decisionmakers in Washington have available to them a firsthand record of the effects of inflation on the lives of our citizens. We also want to examine the extent of cooperation and coordination between Washington inflation fighters and those ostensibly working at the State and local levels of government to fight inflation.

As soon as our hearings are concluded, the hearing record and a subcommittee report, and I hope recommendations, will be made available to the Congress and to the President.

Our first witness is Mr. Bryan Richey, Regional Commissioner of the Bureau of Labor Statistics.

Mr. Richey, thank you for being here. We again apologize for being late. Why don't you bring us up to date on the cost of living situation here.

STATEMENT OF BRYAN RICHEY, REGIONAL COMMISSIONER, BUREAU OF LABOR STATISTICS, REGION VI, U.S. DEPARTMENT OF LABOR

Mr. RICHEY. Mr. Chairman and members of the subcommittee:

I am glad to have this opportunity to briefly comment on the impact of inflation in the Dallas/Fort Worth area and how it compares to the Nation as a whole. It is my understanding that the subcommittee seeks testimony, too, on the cost of living in a number of major cities over the Nation and how the costs are affecting consumers.

Unfortunately, there is no true cost-of-living measure. The Consumer Price Index, more popularly known as the CPI, a widely accepted measure of inflation, tells us what changes are taking place in the purchasing power of the dollars we spend. It records the prices of goods and services which cover virtually everything an average American family buys. By quantifying these changes systematically, the index reflects one of the most important causes of changes in living costs and therefore serves as an indicator but not a precise measure of the cost of living.

Despite earlier fears of economic slowdown this year, even perhaps a recession sometime this summer, the economy continues to move ahead with considerable strength. This is especially true here in the Dallas/Fort Worth area. Employment is up and the unemployment is down.

Total employment in the Nation in March was 31½ million or 3.8 percent higher than 1 year earlier, while the rate of unemployment for the United States was 5.7 percent in March compared to 6.2 percent a year ago. Now, based on the latest release by the Texas Employment Commission, figures for the Dallas/Fort Worth area show employment up by 87,300 or 6.6 percent and unemployment for the area down from 4 percent to 3 percent over the same period. The current rate of unemployment for this area was the lowest on record since 1974 and indicative in my judgment of a relatively tight labor market.

One unfortunate side effect of a rapidly expanding economy is additional upward pressure on prices. This is evident in the behavior of prices, especially in recent months.

An analysis of price changes in the Dallas/Fort Worth area relative to the Nation shows the same trend in prices for all goods and services. When prices rise or decline for the Nation as a whole, these same trends usually are reflected in the measures for this area, because essentially the same forces affecting the general level of prices nationally are no more or less prevalent here.

For both the Nation and this area, the most significant price increases over time have been centered in housing, food, and transportation; however, in recent months, all of the major components of the Consumer Price Index of the Nation as well as this area have been rising.

None of the major categories of the housing component have been spared. This is so important for housing represents more than 40 percent of the total weight of the market basket associated with the Consumer Price Index.

Mr. ROSENTHAL. Are you going to give us comparisons between Dallas and the national average?

Mr. RICHEY. Sir?

Mr. ROSENTHAL. Are you going to give us comparisons between Dallas and the national average?

Mr. RICHEY. Yes, sir.

In February, the most recent month for which direct comparison of price changes for the Nation and this area is available, the national home ownership component was 13.5 percent above the year-earlier level while the same figure for this area was up by 15.3 percent. This is fairly typical of the pattern which has prevailed for nearly a year, that is, for any given pricing period, home ownership costs, when compared over the year, have been in the double-digit range.

Rents have increased more sharply in this area than nationally but not as fast as the cost of owning a home. For example, in February rents compared to a year earlier were higher by 12.8 percent for this area and 7.1 percent for the Nation.

Fuels and utilities, too, for the most of the last year have been rising faster in this area than for the Nation. Rapidly rising food costs are of primary concern to the consumer because they are encountered so frequently.

Food and beverage costs in February were up 14.1 percent over the year in this area compared to 12.7 percent for the Nation. Beef, fruits, and vegetables paced the advance. Beef prices have been soaring, because the number of cattle marketed has declined while consumer demand remains strong.

Until recently, pork, too, was in short supply. Fruit and vegetable prices have been rising rapidly because of a combination of atypical weather conditions affecting supplies and higher costs for processing and distribution.

Mr. ROSENTHAL. Do you know what the March statistics are for food increases in this area?

Mr. RICHEY. Yes, sir.

Mr. ROSENTHAL. What were they?

Mr. RICHEY. For the grocery store prices, they were up by 1.5 percent.

Mr. ROSENTHAL. And from March 1978 to March 1979, what was the increase in food in this area?

Mr. RICHEY. It was in the double-digit range as has been the case for about a year now.

Mr. ROSENTHAL. The information that we have obtained that the increase from March 1978 to March 1979 for the Dallas area is 14.3, which is one of the highest in the Nation.

Mr. RICHEY. Yes. The March figure only covered the prices of food in grocery stores, and the precise figure was 13.9 percent over the year.

Mr. ROSENTHAL. Is it your understanding that it is correct—that the information we have is correct that the increase for March 1978 to March 1979 for food was higher in Dallas than almost anywhere else in the country?

Mr. RICHEY. I'm not sure whether any other place in the country, but it was among the highest areas of the United States, I know that.

Mr. ROSENTHAL. Why is that?

Mr. RICHEY. Well, we have a very healthy economy here in the Dallas/Fort Worth area. As I mentioned a moment ago, I believe that one unfortunate side effect of a strong economy is the additional pressure on prices. We have more people that work and earning higher wages probably than ever before, or close to it.

This is a rapidly growing area and I believe that during periods of inflationary trends, the upward trends in prices are a little more prevalent in rapidly growing areas like Dallas than for the Nation.

Mr. ROSENTHAL. Now, in some categories the exact opposite is true. For example, in medical care the increase from March 1978 to March 1979 in the Dallas area was only 5 percent, which was one of the lowest in the country.

Mr. RICHEY. That's exactly right.

Mr. ROSENTHAL. Why is that?

Mr. RICHEY. I am afraid I cannot account for that difference. I have no way of knowing from the numbers that we have here.

Mr. ROSENTHAL. Is it that there are more younger people in this area?

Mr. RICHEY. We have a relatively higher proportion of young people and they interestingly enough, given the patterns that they have established, marrying later, divorcing more frequently, representing one of the largest population groups in the country, probably exert disproportionate impact on the economy, particularly for housing, than their numbers would suggest.

Mr. ROSENTHAL. Do you collect food prices and prices on products on a store-by-store basis?

Mr. RICHEY. Yes. We have agents that go out to areas throughout the five-State region here in the Southwest and actually price the goods and services that are offered in these outlets.

Mr. ROSENTHAL. You have available to you a comparison shoppers guide as to all stores in the community; isn't that correct?

Mr. RICHEY. No, not really. These data are transmitted from our regional office into the national office where they are included as an aggregate in the composition of the Consumer Price Index.

Mr. ROSENTHAL. I understand that, but then your office, do you have a comparison guide as to the prices in the various stores in the community?

Mr. RICHEY. Yes. We collect individual prices for individual goods and services by store.

Mr. ROSENTHAL. In other words, you know which stores are more expensive than others?

Mr. RICHEY. Well, within the sample I could determine where prices are higher in one store relative to another, yes.

Mr. ROSENTHAL. Well, putting it simply, you know which stores are selling the merchandise cheaper than another store?

Mr. RICHEY. Not necessarily. These data would reflect a specific price for a specific commodity or a service within an establishment, but this wouldn't necessarily mean that I could—it certainly wouldn't mean that I would be able to identify all of the establishments in this area that were charging prices higher than similar establishments of the same type, because it is based on a sample.

Mr. WILLIAMS. You can do that for a product such as meat or produce?

Mr. RICHEY. Based on the sample data there would be no way for me to pinpoint an establishment, business establishments in this area that were charging higher prices than similar establishments for the same item.

Mr. WILLIAMS. Yes, but you could tell if meat prices, compared to other parts of the Nation, are running higher?

Mr. RICHEY. Oh, absolutely, yes.

Mr. WILLIAMS. And you could probably do that, as the chairman says, broken down a little further, to specify individual outlets?

Mr. RICHEY. No, I could not do that. No, we could not do that. The basic information that we have from which the index numbers are constructed would not permit that.

Mr. ROSENTHAL. You mean legally you can't do it or—

Mr. RICHEY. No, I am not talking about the legal ramifications, I am talking about the absolute indication of establishments throughout the area could not be made.

Mr. ROSENTHAL. When you go into a grocery supermarket, how many items do you check for market basket?

Mr. RICHEY. Well, it depends. The nature of our sampling is that we are pricing for all the items included in our market basket—there are hundreds of items—throughout the month. In some stores we might price four or five items, in another store six or seven, in another store two or three.

The idea is to get an adequate representation throughout the entire Metroplex or the Nation, for that matter, that is the nature of the sample design.

Mr. ROSENTHAL. In other words, you don't take, say, one example, say, corn flakes, you don't check the price of corn flakes in every store that you go into?

Mr. RICHEY. No, sir.

Mr. ROSENTHAL. Do you have a market basket number for each store that you go into?

Mr. RICHEY. Absolutely, very precise data for every store that we go into, but from that information it would be impossible to identify within a given area or anywhere else the number of establishments that might be out of line with respect to pricing.

Mr. WILLIAMS. How are we ever going to monitor effectively, "we" being the Federal Government?

Mr. RICHEY. I cannot answer that question, sir.

Mr. ROSENTHAL. All right.

Go ahead.

Mr. RICHEY. In closing, it is important to note that producer prices for the United States—and the numbers were released earlier today—are a very important indicator of inflationary trends. These are the prices that are received by producers for finished goods that are in the form eventually sold to final users, and by that I am referring to automobiles, trucks, machinery, equipment, fertilizer, foods and a host of other commodities too numerous to mention.

The producer price index for finished goods released earlier this morning was up by nine-tenths of 1 percent. This was—

Mr. ROSENTHAL. Tell us what that means. Many people don't know what that means.

Mr. RICHEY. I was going to explain that. For the first 3 months of this year, it was increasing at an annual rate of 14.1 percent. This was the first month in 4 months that we have seen a moderation in the rate of advance for producer prices. Somewhat encouraging was the trend in consumer foods, it was down by three-tenths of 1 percent from a month earlier. It represented the first reduction since last August.

We think we have good cause to be encouraged by some of the trends that are emerging in all of the consumer finished goods, although I would not attempt to say that we have turned the corner yet with respect to our battle against inflation.

Mr. ROSENTHAL. On an annual rate—on an annual number, what does that come to?

Mr. RICHEY. Nine percent would be in the double-digit range, close to 12 percent.

Mr. ROSENTHAL. You are not encouraged by that, are you?

Mr. RICHEY. No, sir, I am not.

Mr. ROSENTHAL. What I was trying to find out, is there a way that you could refine the information that you have to disseminate to the public in some useful fashion?

Mr. RICHEY. I'm not sure I understand that statement.

Mr. ROSENTHAL. The information that you gather in terms of price and comparison shopping, which is in effect what you do, is there any way that you can refine that information to give it to people so that they can know where things are costing less this week or that week or any particular supermarket or supermarket chain?

Mr. RICHEY. No, sir, it would be impossible.

Mr. ROSENTHAL. That's what I want to know. Why not?

Mr. RICHEY. The nature of the sample, the fact that these data are based on a stratified random sample throughout the Nation does not permit that type of identification, legally or otherwise.

Mr. WILLIAMS. How do you view the role of the Department of Labor and the President's Council as a monitoring tool? How do you view your role?

Mr. RICHEY. Well, I could probably relate more to my role as I see it as one of developing the most precise measures of what is occurring and where it is occurring by economic sector in the economy that we possibly can, given the tools with which we have to work.

Mr. WILLIAMS. Has the administration given your department direction and specific duties that have been passed on to the regional officials?

Mr. RICHEY. I think that it was unnecessary under the circumstances to reiterate or to stress the importance of our duties with respect to the development of price statistics throughout the economy. I think we do take that job very seriously.

Mr. WILLIAMS. Well, I think both of us have a concern that your work is not being done in a manner that is informative to the people who are suffering most from these high prices. You may get us the information, but what about the people who are paying the high prices? Shouldn't we try to get timely information to the consumers?

Mr. RICHEY. Consumption patterns are very strong, particularly in this area, even in face of rising prices. One thing that I think has kept this cycle going is the anticipation of higher prices later on. There is some evidence to suggest that this has had a tendency to cause people to buy now in an attempt to get under the next price increase.

This in turn just keeps the cycle moving.

Mr. WILLIAMS. One more question. Are there major food warehousing movements in this area?

Mr. RICHEY. I beg pardon?

Mr. WILLIAMS. The warehouse type operations for food purchasing.

Mr. RICHEY. For food? I would not judge that to be significant. I have not noted any.

Mr. WILLIAMS. That is becoming a big industry in my district. Food warehousing can eliminate the neighborhood grocery store. There is no activity of that type in this area?

Mr. RICHEY. In an area like Dallas/Fort Worth, or you could make the statement generally about the Nation because of the fairly healthy economy that we are still experiencing even though we are suffering from higher prices. The ability of the worker to pay these high prices has only begun to deteriorate fairly rapidly since the first of this year. By that I mean that the numbers that are developed by the Bureau of Statistics in connection with real earnings or the earnings of workers after adjustment for price increase have shown that we are losing ground only in the last 3 or 4 months.

Mr. WILLIAMS. What do we do now that we are losing ground? That is the question.

Mr. RICHEY. I think evidence of that is that we are having this hearing today. I don't think there is any question that the general populace is becoming much more concerned about inflation that we were perhaps 12 months, 6 months ago. I think this is the type of thing that would bring it home to us is when we get to that point when we are no longer able to cope with the rapidly rising prices.

Mr. ROSENTHAL. What else do you monitor besides prices, wholesale prices, retail prices, what else?

Mr. RICHEY. Yes, the wholesale prices, or the name of that series has been changed to the producer price index for finished goods, but they are essentially the same series.

Mr. ROSENTHAL. Do you monitor any kind of wage patterns at all?

Mr. RICHEY. Yes, we have some selected area wage surveys. Generally these surveys have tended to indicate a steady upward trend in wages over time.

Mr. ROSENTHAL. Since the wage/price guidelines have been in effect has that had an impact on the workers' ability to deal with rising consumer goods, cost of consumer goods?

Mr. RICHEY. Of course, this would be a judgment on my part and the announcement was made in October, as I recall, late in October, the three things, as I understand it, called for was some restraint on the part of the Government in terms of spending, to be prudent in monitoring physical policies, some sacrifices on the part of labor in terms of wage demands as well as the business community in establishing pricing structure.

As I understand it, these are rather long-term measures and I think it would probably be too soon to say whether the guidelines are working or not. I believe it will take longer than the time period that has already elapsed to really make that determination.

Mr. ROSENTHAL. How long do you think it will take?

Mr. RICHEY. I really don't know, but I would imagine we ought to be able to see some effects within the year, hopefully within the next few months. Perhaps we are seeing some of the early signs in the reduction in food prices and other finished goods that I reported on a moment ago. The fact that the rate of increase—now, I don't want to make too much of this—

Mr. ROSENTHAL. I don't think you should.

Mr. RICHEY. The rate of increases are beginning to moderate some, it is an encouraging sign. It remains to be seen whether that trend will remain long enough to really turn the problem with inflation around.

Mr. ROSENTHAL. Have the guidelines had any impact in moderating price increases?

Mr. RICHEY. I would like to think that they have. I would like to think that the articles and all that I am reading in the major newspapers over the country where surveys are taken of key companies that were in compliance, the announcement by Sears Roebuck yesterday, and similar patterns—

Mr. ROSENTHAL. But you haven't seen any statistical evidence here in the community?

Mr. RICHEY. We have no empirical evidence that they are.

Mr. ROSENTHAL. You don't even have any plain evidence?

Mr. RICHEY. We don't have any kind of evidence other than that that I just cited.

Mr. ROSENTHAL. How do you know that the workers, or is it just a subjective judgment on your part, that workers are having more difficulty meeting their needs as a result of rising prices?

Mr. RICHEY. How would I know that?

Mr. ROSENTHAL. How do you know that statistically?

Mr. RICHEY. I would conclude that given a relatively high level of consumer indebtedness that has been reported fairly regularly in recent months, together with a relatively low level of savings, somewhere around 5 percent of disposable income, I believe, together with the fact that for the last 3 or 4 months the prices have been increasing faster than wages, that the consumers would probably have to make some adjustments in consumption patterns. So far this has not been reflected in the price measures significantly.

Mr. ROSENTHAL. OK. Thank you for a very thoughtful and very enlightening statement.

[Mr. Richey's prepared statement and additional material for the record follow:]

Statement of
Bryan Richey
Regional Commissioner
Bureau of Labor Statistics, Region VI
U.S. DEPARTMENT OF LABOR
Before the
CONGRESS OF THE UNITED STATES'
Commerce, Consumer & Monetary Affairs Subcommittee
of the Committee on Government Operations
May 3, 1979
Dallas, Texas

Mr. Chairman and Members of the Subcommittee:

I am glad to have this opportunity to briefly comment on the impact of inflation in the Dallas/Fort Worth area 1/ and how it compares to the Nation as a whole. It is my understanding that the Subcommittee seeks testimony, too, on the cost of living in a number of major cities over the Nation and how these costs are affecting consumers.

Unfortunately, there is no true cost-of-living measure. The Consumer Price Index (CPI), a widely accepted measure of inflation, tells us what changes are taking place in the purchasing power of the dollars we spend. It records the prices of goods and services

which cover virtually everything an average American family buys. By quantifying these price changes systematically, the index reflects one of the most important causes of changes in living costs and serves as an approximation of but not a precise measure of the cost-of-living.

Despite earlier fears of an economic slowdown this year, even a recession before summer, the economy continues to move ahead with considerable strength. This is especially true here in the Dallas/Fort Worth area. Employment is up, and unemployment is down.

Total employment 2/ in the U.S. in March was 3.5 million or 3.8% higher than a year earlier, while the rate of unemployment for the U.S. was 5.7% in March compared to 6.2% a year ago. Based on the latest release by the Texas Employment Commission, figures for the Dallas/Fort Worth area showed employment up by 87,300 or 6.6% and unemployment for the area down from 4% to 3% over the same period. The current rate of unemployment for the area was the lowest on record since 1974 and indicative of a relatively tight labor market.

One unfortunate side effect of a rapidly expanding economy is additional upward pressure on prices. This is evident in the behavior of prices, especially in recent months.

An analysis of price changes for the Dallas/Fort Worth area relative to the Nation shows the same trend in prices for all goods and services. When prices rise or decline for the Nation as a

whole, these same trends usually are reflected in the measures for this area, because essentially the same forces affecting the general level of prices nationally are no more or less prevalent here.

For both the Nation and this area, the most significant price increases over time have been centered in housing, food and transportation; however, in recent months, all of the major components of the CPI for the Nation and this area have been rising.

None of the major categories of the housing component have been spared. This is so important for housing represents more than 40% of the CPI market basket. Land, building materials, labor and financing costs have continued to accelerate, pushing the cost of homeownership higher and higher. In February, the most recent month for which direct comparison of price changes for the Nation and this area is available, the national homeownership component was 13.5% above the year-earlier level while the same figure for this area was up by 15.3%. This is fairly typical of the pattern which has prevailed for nearly a year, i.e., for any given pricing period, homeownership costs, when compared over the year, have been in the double-digit range.

Rents have increased more sharply in this area than nationally but not as fast as the cost of owning a home. For example, in February rents compared to a year earlier were higher by 12.8% for this area and 7.1% for the Nation.

Fuels and utilities, too, for most of the last year have been rising faster in the Dallas/Fort Worth area than for the Nation. In part this reflects differences in the cost of interstate and intrastate natural gas.

Rapidly rising food costs are of primary concern to the consumers, because they are encountered so frequently. Food and beverage costs in February were up 14.1% over the year in this area compared to 12.7% for the U.S. Beef and fruits and vegetables paced the advance. Beef prices have been soaring, because the number of cattle marketed has declined while consumer demand remains strong. Until recently, pork, too, was in short supply. Fruit and vegetable prices have been rising rapidly because of a combination of atypical weather conditions affecting supplies and higher costs for processing and distribution.

Transportation costs have been affected significantly by higher prices for new and used cars as well as higher energy costs. In February gasoline was up from a year ago by 12.4% nationally and 11.8% in this area. When more current figures are released later this month, they will likely be higher.

In closing it is important to note that producer prices for the U.S. reflected by the Bureau's Producer Price Index For Finished Goods (PPI) have continued to increase. These are the prices received by producers for finished goods that are in the form eventually sold to final users -- automobiles, trucks, machinery, equipment, fertilizer, food and a host of other commodities too numerous to mention. This index advanced for the

first three months of this year at an annual rate of 14.1%. This was the largest quarterly increase since the 16.4% rate for the 4th quarter of 1974. Food and energy items continued to contribute substantially to the advance. The April PPI for finished goods released earlier today was up by 0.9% from March -- the first monthly change under 1.0% since last December. Consumer foods declined fractionally (-0.3%) between March and April. This was the first reduction in consumer foods since last August.

It remains to be seen whether or not this represents a moderation in the rate of increase in the prices of all finished goods. Until the price advance for crude and intermediate materials is slowed and finished goods reflect this deceleration in prices, it is unlikely that retail markets will show significant improvement in the rate of inflation.

While I have tried to keep my remarks brief, I am appending a number of tables that provide supporting data in more detail. If the Subcommittee members have any questions, I will try to answer them now.

1/ The Dallas/Fort Worth Standard Metropolitan Statistical Area (SMSA) is comprised of the following counties: Collin, Dallas, Denton, Ellis, Hood, Johnson, Kaufman, Parker, Rockwall, Tarrant and Wise.

2/ Employment and unemployment statistics are seasonally adjusted for the Nation. However, seasonally adjusted data for Texas are not available.



555 Griffin Square Bldg., Room 221
Griffin and Young Streets
Dallas, Texas 75202

CONSUMER PRICES



February 1979

Consumer prices in the Dallas/Fort Worth and Houston metropolitan areas rose sharply from December to February, as these areas' strong economic performance continues to exert upward pressure on retail prices. The national CPI for All Urban Consumers stood at 207.1 (1967=100) in February, and was 9.9 percent above its year-ago level.

The Dallas/Fort Worth Consumer Price Index for All Urban Consumers rose 2.1 percent from December to February, as the major components of food, housing, and transportation continued to pace the upward price spiral. The index stood at 205.8 (1967=100), 10.2 percent above its year-ago level. The index means that goods and services costing Dallas/Fort Worth residents \$100.00 in 1967 cost them \$205.80 in February. A bi-monthly increase of 3.4 percent in homeownership costs spurred a 2.5 percent increase in housing costs overall. Home purchase prices and mortgage interest rates continued to climb, and the homeownership index is 15.3 % above its year-ago level. Food and beverage prices rose mainly on the strength of higher prices of beef, fruits and vegetables, and restaurant meals. All food categories showed price increases. Transportation costs rose 1.6 percent from December to February, as gasoline prices continued to rise, reflecting tight supplies.

The Houston Consumer Price Index for All Urban Consumers rose 2.0 percent from December to February, as all major categories of consumer prices increased. The index stood at 224.2 (1967=100) in February, 12.7 percent above its year-ago level. The index means that goods and services which cost Houston residents \$100.00 in 1967 cost them \$224.20 in February. Increased costs of utilities, along with higher home purchase prices and home maintenance costs, pushed the overall cost of housing up 1.5 percent from December's level. The cost of owning a home has increased more than 20 percent in the last year, reflecting higher material and labor costs, mortgage interest rates, and energy costs. Adverse weather conditions in the Texas Valley and in California, which affected fruit and vegetable supplies, and shortages for most beef products pushed food prices up 4.3 percent from the December level. Meat, poultry, and fish prices have risen over 25 percent since early last year, while fruit and vegetable prices have advanced more than 15 percent. Tight supplies and rising prices of oil were mainly responsible for a 1.6 percent bi-monthly rise in transportation costs.

Consumer Price Index
Dallas/Fort Worth, Texas
Standard Metropolitan Statistical Area
(1967=100)
February 1979

GROUP	All Urban Consumers		Urban Wage Earners & Clerical Workers	
	Index 12-78	% Change From: 2-78	Index 12-78	% Change From: 2-78
All Items	224.2	2.0	223.1	2.2
Food and Beverages	236.2	4.2	233.5	4.1
Food at home	241.5	4.3	238.5	4.2
Cereals and Bakery Prod.	229.9	4.4	223.3	4.4
Fruits and Vegetables	201.2	1.5	204.7	1.7
Meats, Poultry, & Fish	246.3	6.7	238.2	6.5
Dairy Products	215.2	1.6	218.6	3.4
Fruits and Vegetables	230.9	6.9	229.7	6.3
Other foods at home	244.6	2.6	243.3	2.1
Food away from home	179.4	1.0	185.7	3.9
Alcoholic Beverages	179.4	1.0	178.8	0.3
Housing ^{1/}	248.3	1.5	245.9	1.3
Shelter	276.0	1.1	273.6	1.1
Rent, Residential	276.0	0.1	275.0	0.4
Other Rental Costs	220.0	-0.1	219.0	0.4
Homeownership	317.4	1.6	316.6	1.7
Fuel and Other Utilities	243.4	3.7	243.4	3.8
Fuels	280.6	6.4	280.7	6.4
Fuel Oil, Coal, Bot. Gas	98.7	-1.1	N/A	N/A
Gas (piped) & Electricity	287.7	1.7	287.7	1.7
Household Furnishings & Oper.	199.5	1.3	198.8	0.3
Apparel and Upkeep	193.0	1.1	193.0	1.5
Apparel Commodities	180.0	1.0	185.2	1.4
Men's & Boy's Apparel	180.0	1.5	180.1	1.7
Women's & Girl's Apparel	182.2	-1.8	194.3	4.2
Footwear	182.2	-1.8	194.3	4.2
Transportation	183.5	1.6	184.3	1.5
Private Transportation	184.3	1.6	185.1	1.5
Public Transportation	181.1	0.6	181.5	0.5
Medical Care	253.4	2.6	260.8	5.4
Entertainment	178.2	1.8	175.6	-0.5
Other Goods and Services ^{2/}	202.2	1.7	200.9	1.1
Personal Care	221.9	2.9	218.1	8.2
All Items (1957-59=100)	256.5		255.2	

^{1/} Includes i.v. and sound equipment, formerly found in health and recreation.
^{2/} Formerly included alcoholic beverages, now found in food and beverages, but now includes personal care and education related expenses, formerly found in health and recreation.

The Houston Consumer Price Index covers the counties of Brazoria, Ft. Bend, Harris, Liberty, Montgomery, and Waller.

Consumer Price Index
Dallas/Fort Worth, Texas
Standard Metropolitan Statistical Area
(1967=100)
February 1979

GROUP	All Urban Consumers		Urban Wage Earners & Clerical Workers	
	Index 12-78	% Change From: 2-78	Index 12-78	% Change From: 2-78
All Items	205.8	2.1	206.3	2.5
Food and Beverages	224.7	2.8	226.7	4.6
Food at home	229.0	2.9	231.3	4.8
Cereals and Bakery Prod.	208.3	1.9	213.7	4.6
Fruits and Vegetables	191.4	0.6	194.4	1.4
Meats, Poultry, Fish, Eggs	219.2	5.8	224.4	7.2
Dairy Products	224.2	6.2	230.1	7.9
Fruits and Vegetables	202.5	1.9	206.8	1.8
Other foods at home	228.8	4.2	227.7	8.1
Food away from home	205.4	2.1	208.8	5.2
Alcoholic Beverages	167.5	0.4	165.1	0.9
Housing ^{1/}	210.6	2.5	210.7	2.6
Shelter	225.7	3.2	227.2	3.6
Rent, Residential	167.8	2.6	167.8	2.6
Other Rental Costs	223.6	4.1	221.8	4.2
Homeownership	251.6	3.4	254.1	3.9
Fuel and Other Utilities	235.3	0.5	235.3	0.4
Fuels	292.8	0.8	292.8	0.8
Fuel Oil, Coal, & Bot. Gas	99.4	N/A	-1.5	N/A
Gas (piped) & Electricity	237.9	1.0	237.9	1.0
Household Furnishings & Oper.	184.9	1.1	183.4	1.0
Apparel and Upkeep	167.4	-0.1	167.0	1.0
Apparel Commodities	156.3	-0.1	157.0	0.7
Men's and Boy's Apparel	170.1	0.8	169.2	1.0
Women's and Girl's Apparel	138.0	0.3	-0.1	137.4
Footwear	172.5	0.3	170.3	3.6
Transportation	198.6	1.6	199.5	1.8
Private Transportation	199.4	1.6	200.0	1.8
Public Transportation	176.3	1.6	182.5	0.5
Medical Care	216.9	0.3	219.7	0.1
Entertainment	178.9	1.3	176.2	0.5
Other Goods and Services ^{2/}	195.3	2.5	192.5	2.1
Personal Care	201.5	3.9	197.7	2.4
All Items (1963=100)	222.5		223.0	

^{1/} Includes i.v. and sound equipment, formerly found in health and recreation.
^{2/} Formerly included alcoholic beverages, now found in food and beverages, but now includes personal care and education related expenses, formerly found in health and recreation.

The Dallas-Ft. Worth Consumer Price Index covers the counties of Collin, Dallas, Denton, Ellis, Hood, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise.

Consumer Price Index - U. S. Average
(1967=100)
February 1979

	All Urban Consumers			Urban Wage Earners & Clerical Workers		
	Index	% Change From:		Index	% Change From:	
		1-79	2-78		1-79	2-78
All Items	207.1	1.2	9.9	207.1	1.2	9.9
Food and Beverages	222.4	1.9	12.7	222.6	2.0	12.9
Food	228.2	1.9	13.0	228.5	2.1	13.2
Food at home	228.0	2.2	13.9	227.9	2.2	14.1
Cereals and Bakery Prod.	212.2	1.0	9.9	212.9	0.9	10.1
Meats, Poultry, Fish, Eggs	232.3	4.0	22.9	232.2	4.0	23.2
Dairy Products	200.6	1.1	12.2	201.1	1.2	12.4
Fruits and Vegetables	226.5	2.2	12.7	225.4	2.6	12.3
Other foods at home	261.9	0.7	6.5	261.5	0.8	6.4
Food away from home	233.4	1.4	10.9	234.3	1.6	11.5
Alcoholic Beverages	167.7	1.0	7.9	167.7	1.0	8.0
Housing ^{1/}	215.6	1.2	10.6	215.4	1.2	10.5
Shelter	225.9	1.4	12.2	226.2	1.5	12.4
Rent, Residential	171.0	0.4	7.1	170.9	0.4	7.0
Other Rental Costs	224.8	1.6	12.3	224.7	1.6	12.3
Homeownership	245.6	1.7	13.5	246.2	1.7	13.7
Fuel & Other Utilities	223.3	0.8	6.0	223.5	0.8	6.1
Fuels	259.3	1.2	8.4	259.3	1.2	8.4
Fuel Oil, Coal, & Bot. Gas	326.1	3.1	9.8	326.4	3.1	9.9
Gas (piped) & Electricity	241.2	0.7	8.0	241.0	0.6	8.0
Household Furnishings & Oper.	186.0	0.6	8.1	184.8	0.7	7.4
Apparel and Upkeep	161.4	0.4	4.5	161.6	0.3	4.6
Apparel Commodities	156.3	0.3	3.7	156.7	0.2	3.9
Men's & Boy' Apparel	156.7	-0.4	1.8	157.6	-0.3	2.3
Women's & Girl's Apparel	147.7	0.5	3.5	147.7	0.3	3.5
Infant's & Toddler's Apparel	213.7	-1.0	2.4	214.6	-0.5	2.2
Footwear	168.9	0.1	6.0	167.8	-0.1	5.5
Transportation	195.6	0.9	9.0	196.1	0.8	9.2
Private Transportation	195.5	0.9	9.5	195.9	0.9	9.6
Public Transportation	190.7	0.4	2.1	191.4	0.3	2.5
Medical Care	232.6	0.8	9.0	232.1	0.8	8.9
Entertainment	183.2	0.5	6.0	182.4	0.2	5.0
Other Goods and Services ^{2/}	191.9	0.7	7.2	191.9	0.8	7.1
Personal Care	190.4	0.8	7.1	190.4	0.8	6.8
All Items (1957-59=100)	240.8			240.9		

^{1/} Includes T.V. and sound equipment, formerly found in health and recreation.

^{2/} Formerly included alcoholic beverages, now found in food and beverages, but now includes personal care and education related expenses, formerly found in health and recreation.

A Brief Explanation of the CPI

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. Effective with the January 1978 index, the Bureau of Labor Statistics began publishing CPI's for two population groups: (1) a new CPI for All Urban Consumers (CPI-U) which covers approximately 80 percent of the total noninstitutional civilian population; and (2) a revised CPI for Urban Wage Earners and Clerical Workers (CPI-W) which represents about half the population covered by the CPI-U. The CPI-U includes, in addition to wage earners and clerical workers, groups which historically have been excluded from CPI coverage, such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Prices are collected in 85 urban areas across the country.

In calculating the index, price changes for the various items in each location are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Separate indexes are also published for 28 local areas, including the Dallas/Fort Worth and Houston areas. These two indexes are available bi-monthly, for the even-numbered months, and are published during the fourth week of the month following the reference month. For the odd-numbered months, "Food at Home" indexes are available for the Dallas/Fort Worth and Houston areas. The two areas are the only areas in the Southwest Region for which local indexes are published.

Mr. ROSENTHAL. Our next witness is Herbert Buchanan, Deputy District Manager of the Enforcement Division, Economic Regulatory Administration, U.S. Department of Energy.

STATEMENT OF HERBERT F. BUCHANAN, DEPUTY DISTRICT MANAGER, SOUTHWEST DISTRICT, ENFORCEMENT DIVISION, ECONOMIC REGULATORY ADMINISTRATION, U.S. DEPARTMENT OF ENERGY

Mr. BUCHANAN. Mr. Chairman, members of the committee you have my prepared statement, and I was wondering if I might dispense with reading it and go into the five basic questions?

Mr. ROSENTHAL. Without objection, the entire statement will be included in the record. We have never had a 3-page statement in the 17 years I have been in Congress. So you can either read it or not read it.

Mr. BUCHANAN. OK, thank you.

There were five basic or specific questions that we directed our attention to in your inquiry, and I will start with the first one. It says, "What are current prices in the Dallas/Fort Worth area for gasoline and home heating oil?"

Of course, the Dallas/Fort Worth area is not concerned with the home heating oil since we have no homes here basically that use home heating oil. The homes are either heated or air-conditioned by natural gas or all electric. So we directed our attention to the gasoline pricing and based on a survey of the area, of the Dallas/Fort Worth area, we found that the major brands or the major service station or self-service was 71.5 for regular; 76.4 for unleaded; 77.7 for premium.

Under full service, 74.3 for regular; 78.7 for unleaded; and 81.3 for premium.

The independent stations surveyed was 72.4 for regular; 77.2 for unleaded; 78.9 for premium. We found no independent service stations that offered the full service, so only the self-service is reflected.

The next question was, "What have been the increases in gasoline and home heating oil prices over the past 3 years?"

So what we did, we took the information from our files on June 1976, and using the current prices that we established from our survey, come up with a—for major brands or branded service stations of 19.9 increase in regular—19.9 cents increase or a 38.5 overall increase.

For unleaded 76.4, and the June price was 53.8 with a 22.6 cent increase or 42 percent overall increase for 3 years.

Premium had a 21.9 cent increase with a 39.2 percent increase overall.

Full service was 18.1 cents or 32 percent overall; unleaded was 20.3 cents or 34.7 percent over a 3-year period; and the premium was 20.9 cents or 34.6 percent overall.

Now, the independents, the regular gasoline had an increase of 23.3 cents over a 3-year period or an overall percentage rate increase of 47 percent.

Unleaded, 26.6 cents or 52.5 percent increase over the 3 years.

Premium was 26.1 cents—

Mr. ROSENTHAL. I think maybe your first suggestion was a good one, I will put the entire statement in the record. I am interested in the question on the last page: "What have the investigations revealed?" How vigorous is your enforcement-investigatory capacity?

Mr. BUCHANAN. We have a very vigorous investigatory-enforcement program.

Mr. ROSENTHAL. What area do you take in?

Mr. BUCHANAN. The Enforcement Division, we take in all the independents, whether they are crude oil producers, NGL operators, wholesaler, resellers—

Mr. ROSENTHAL. For what geographical area?

Mr. BUCHANAN. We cover Texas, Oklahoma, Louisiana, Arkansas, and New Mexico, a five-State area.

Mr. ROSENTHAL. How many people do you have working in the enforcement area?

Mr. BUCHANAN. We have 157 auditors.

Mr. ROSENTHAL. How many are out in the field visiting people?

Mr. BUCHANAN. Approximately 157 auditors.

Mr. ROSENTHAL. They all go out?

Mr. BUCHANAN. Correct.

Mr. ROSENTHAL. You said there were 220 notices of violations. Tell us more about the violations and what has happened.

Mr. BUCHANAN. If you will back up one question there, it will give you an idea of the areas that we have worked in and the number of cases that we have worked in those areas since January 1, 1977.

In taking that forward into the next question, we have issued 220 notices of probable violation for a total of \$54,569,593.

Mr. ROSENTHAL. I don't follow that. What kind of people were these?

Mr. BUCHANAN. These people will cover firms like your independent crude oil producers, your crude oil resellers.

Mr. ROSENTHAL. Retailers, too?

Mr. BUCHANAN. No retailers are probably in this number.

Mr. ROSENTHAL. Why is that?

Mr. BUCHANAN. Well, up until just recently, within the last quarter of this year, we have not been working in the retail area.

Mr. ROSENTHAL. Why is that?

Mr. BUCHANAN. Service stations, unless we had a complaint from a consumer.

Mr. ROSENTHAL. Why don't you go out and work the retail area?

Mr. BUCHANAN. Because the dollars are not in the retail service stations, the dollars are in your crude oil marketers. Of course, the crude oil itself controls the price of what the gasoline is going to be selling at at the pumps.

Mr. ROSENTHAL. I understand that, the big dollars are in the crude oil, but some of the modest pain is in the retail area.

Mr. BUCHANAN. There could be some modest pain. Now, the complaints we have received in the last quarter, we have a formula that we run them through and, of course, in establishing a price it can determine—from this formula we can determine whether that particular station is probably in violation from the prices that the complainant gives us over the phone.

For instance, if he has gone out and he feels that he has really been gouged at the pump, they will call in and give the station's name, the location, the price he paid, and whether or not he had the maximum lawful selling price posted on the pumps, and we take those and run them through the formula, and if it appears that they are overcharging, we do send someone out immediately.

Mr. ROSENTHAL. What does the \$54 million represent, pricing overcharges?

Mr. BUCHANAN. Pricing overcharges, correct.

Mr. ROSENTHAL. This is at the producer level or intermediate level or what level?

Mr. BUCHANAN. Well, it is going to be at your producer level, it is going to be at your crude reseller level, it's at your small refinery level. It is going to be out at your crude reseller level, but basically there would be no retail service stations in these numbers that you see here.

Now, out of 50 recent audits that we have completed at retail service stations, we only found that 4 out of the 50 was overcharging.

Mr. ROSENTHAL. I thought you said you weren't doing any retail audits.

Mr. BUCHANAN. I said currently we are, in the last quarter of this year we have started, like, January, February, and March.

Mr. ROSENTHAL. In the first quarter of this year you started doing retail?

Mr. BUCHANAN. Right, as a result of the increase in prices as a result of the Iranian oil crisis, you know, is the thing—

Mr. ROSENTHAL. Are you continuing that?

Mr. BUCHANAN. Yes, we are. We have a very vigorous program.

Mr. ROSENTHAL. You said there are 220 notices of probable violations and 443 consent orders. I don't follow that.

Mr. BUCHANAN. OK. Many violations that we find we do not issue a notice of probable violation because the people, once we sit down and discuss with them our findings, are willing to sign a consent order and refund to the market place those dollars that were overcharged.

Mr. ROSENTHAL. How do they refund it?

Mr. BUCHANAN. They can refund it either through a reduction in price to the consumer back through the chain or they can refund—if we cannot identify who was overcharged, then that is refunded to the Treasury of the United States.

Mr. ROSENTHAL. Do you make public any of these violations, probable violations, consent orders, any of those things?

Mr. BUCHANAN. It is now our policy that we do make public violations, right. Of course, they have always been published in the Federal Register.

Mr. ROSENTHAL. Aside from the Federal Register, I mean in the general public media?

Mr. BUCHANAN. Yes, we do use the public media to publicize these.

Mr. ROSENTHAL. Criminal actions, there have been 20 criminal investigations?

Mr. BUCHANAN. Yes, sir. There has been 20 cases that have been referred. There are other cases that are being worked. Of these 20 cases that we have referred, of course, as pointed out here, we have recouped \$5.14 million paid to the U.S. Treasury, and we recouped \$6.5 million which is being refunded to the consumers that we could identify and, of course, there has been 17 persons indicted along with six firms.

Mr. ROSENTHAL. Do you think your work has had an impact on the attitude of these people?

Mr. BUCHANAN. It has had a very definite impact.

Mr. ROSENTHAL. Is the situation slowing down, the overcharging situation?

Mr. BUCHANAN. I think that possibly as a result of decontrol it is slowing down to some extent. Those cases are being worked. There are still substantial violations that will be pursued.

Mr. WILLIAMS. You still think the violations are somewhat insignificant in the retail area?

Mr. BUCHANAN. From what we found from the reviews that we have made, that they are insignificant. Now, you do find occasionally someone that is gouging the public. For instance, after the tragic tornado up in Wichita Falls, we had reports of two service stations that were charging \$1.50 a gallon. We sent auditors and an attorney immediately to Wichita Falls. We have issued to those two stations that was charging these people \$1.50 a gallon notice of probable violations because they were overcharging, they were gouging and we will probably pursue them from a standpoint of possible, even criminal violations.

Mr. ROSENTHAL. Thank you very, very much.

Are you moving with vigor and determination in this area?

Mr. BUCHANAN. Very much so, sir.

Mr. ROSENTHAL. Do you think the situation is going to continue, this overcharging, price gouging, or do you think you have got it under control?

Mr. BUCHANAN. As far as the service stations, we have found very few that are overcharging. It is the fact that the crude cost has increased, causing the product to increase to them.

Mr. ROSENTHAL. I am talking about the 200 people that are potential violators and the 443 consent orders.

Mr. BUCHANAN. Oh, these people here?

Mr. ROSENTHAL. Yes.

Mr. BUCHANAN. Yes, definitely. These people, the impact has been felt very tremendously—

Mr. ROSENTHAL. Are you putting anybody in jail?

Mr. BUCHANAN. Yes, sir. There have been 4 of these 17 people that were indicted have received 3-year prison terms. One of them received 6 months in jail. He was a 73-year-old man, and they didn't feel that he should serve a long term. He refunded \$93,000 to the public.

The other people refunded the dollars that they have gouged or overcharged the public. Of course, we have some others that have currently—we have three that have pleaded guilty and they will be coming up for trial very shortly. Some have received suspended sentences with refunds in excess of \$3 million.

I sat in on a conference yesterday where we signed consent orders, prepared consent orders for over \$10 million that will be refunded to the marketplace. The program has been very effective.

Mr. ROSENTHAL. Thank you very, very much.

[Mr. Buchanan's prepared statement follows:]

STATEMENT OF
HERBERT F. BUCHANAN
DEPUTY DISTRICT MANAGER, S. W. DISTRICT
ENFORCEMENT DIVISION
ECONOMIC REGULATORY ADMINISTRATION
U. S. DEPARTMENT OF ENERGY

BEFORE

COMMERCE, CONSUMER, AND MONETARY AFFAIRS
SUBCOMMITTEE
OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
U. S. HOUSE OF REPRESENTATIVES

May 3, 1979

Mr. Chairman and Members of the Subcommittee:

I am pleased to testify today in regard to the five specific questions pertaining to motor gasoline, home heating oil, and other energy pricing and resolution contained in your correspondence of April 20, 1979. Each of the five questions are re-stated with the answers immediately following each question:

- Q. What are current prices in the Dallas/Ft. Worth area for gasoline and home heating oil?
- A. Based on a limited sampling of service stations in this area it appears that the current average selling prices approximate the amounts listed below:

	<u>Self Service</u>			<u>Full Service</u>		
	<u>Reg.</u>	<u>Unleaded</u>	<u>Prem.</u>	<u>Reg.</u>	<u>Unleaded</u>	<u>Prem.</u>
Major stations (branded)	71.5	76.4	77.7	74.3	78.7	81.3
Independent Stas.	72.4	77.2	78.9	-	-	-

- Q. What have been the increases in gasoline and home heating oil prices over the past three years?
- A. The following calculation of increases in gasoline prices over the past three years are based on available information from our files and could vary from location to location within the Southwest District:

	<u>Self Service</u>			<u>Full Service</u>		
	<u>Reg.</u>	<u>Unleaded</u>	<u>Prem.</u>	<u>Reg.</u>	<u>Unleaded</u>	<u>Prem.</u>
Major stations (branded)						
Current prices	71.5	76.4	77.7	74.3	78.7	81.3
June '76 prices	51.6	53.8	55.8	56.2	58.4	60.4
Increase	19.9	22.6	21.9	18.1	20.3	20.9
% Increase	38.5%	42%	39.2%	32%	34.7%	34.6%

	<u>Self Service</u>			<u>Full Service</u>		
	<u>Reg.</u>	<u>Unleaded</u>	<u>Prem.</u>	<u>Reg.</u>	<u>Unleaded</u>	<u>Prem.</u>
Independent Stas. (unbranded)						
Current prices	72.4	77.2	78.9	-	-	-
June '76 prices	49.1	50.6	52.8	51.9	53.4	54.6
Increase	23.3	26.6	26.1	-	-	-
% Increase	47%	52.5%	49.4%	-	-	-

- Q. What investigations of energy pricing in the Dallas area and in your region have been conducted by your office from January 1, 1977, to the present?
- A. An inventory of audits/investigations of energy pricing that has been conducted since January 1, 1977, through the present date in the Dallas area and the Southwest District (Arkansas, Louisiana, New Mexico, Oklahoma, and Texas) are scheduled below:

Importer	2
Producer	1,069
Crude Reseller	95
Small Refiner	165
Natural Gas Liquids (NGLs)	80
Propane Reseller	31
Propane Retailer	36
Reseller (other*)	103
Retailer (other*)	17
Total	1,598

*Industries other than propane

Q. What have the investigations revealed?

A. The audits/investigations that were conducted since January 1, 1977, have resulted in the following remedial actions or consent orders, and are summarized to reflect the type of remedial document issued, the number of such documents and the dollar amount of the violation by each category:

a. Notice of Probable Violation	220	\$54,569,593
b. Remedial Order	86	21,004,865
c. Proposed Remedial Order	62	12,574,093
d. Consent Order	443	43,196,320

Q. What action has been taken against violators of DOE pricing regulations?

The Southwest District of the Department of Energy has referred for criminal investigation approximately 20 cases. To date, of those 20 cases, recoveries have been made in four. These investigations resulted in approximately \$5.14 million paid to the United States Government and \$6.5 million refunded to consumers. Seventeen men have been indicted and 6 firms have been indicted. Additional activity continues.

Mr. Chairman, that completes my prepared statement. I would be happy to respond to any questions that the Committee wishes to ask.

Mr. ROSENTHAL. Our next witness is Mr. William Earl Chapman, secretary-treasurer, Dallas AFL-CIO Council.

Do you have any people that you want to bring up with you?

STATEMENT OF WILLIAM EARL CHAPMAN, SECRETARY-TREASURER, DALLAS AFL-CIO; ACCOMPANIED BY JAMES HOLBROOK, COMMUNICATIONS WORKERS; LLOYD CRAIN, PRESIDENT, DALLAS BUILDING TRADES COUNCIL; AND GRAY McBRIDE, STATE, COUNTY AND MUNICIPAL EMPLOYEES

Mr. CHAPMAN. Yes, I have a cross-section of our unions that I would like to sit as a panel.

Mr. ROSENTHAL. Why don't you do it that way then. That's fine. Identify your associates.

Mr. CHAPMAN. My name is William Chapman. I am with the Dallas AFL-CIO.

I have with me James Holbrook, the Communications Workers; Lloyd Crain, president of the Dallas Building Trades Council; Gray McBride of the State, County and Municipal Employees.

Certainly we would like to thank you for your efforts to get public input. We feel that this is certainly needed.

Mr. HOLBROOK. I hadn't counted on this weather, though.

Mr. CHAPMAN. We have had a lot of that here lately.

Mr. ROSENTHAL. I hear there is a tornado watch. Is this building safe or not.

Mr. CHAPMAN. It's union-built, it should be safe.

Mr. ROSENTHAL. This building is a union-built building?

Mr. CHAPMAN. Right.

We feel the effect of the voluntary wage/price guidelines may be long term, as the gentleman said a while ago, but when a worker gets a raise that is less than the cost of living, that has an immediate effect because when he gets less money and the cost of living is more, that's then and not long term. It is hard for him to understand that.

Also, you spoke about health costs; they may be low in Dallas, and the unemployment rate may be low in Dallas, and the type of employment that we have, I think, is important to consider, also.

This is a letter I received in my office about a week ago:

Dear Friends, could you please tell us if there is a nurse or nurses aides' union and if so, how does one go about joining it? If not, how do we go about starting one? It seems that a lot of our nursing homes do things on whims, such as requiring nurses aides to switch their uniforms from white to pink. This means all the uniforms will be required to be changed, and this constitutes quite an expense when you are only making \$2.90 an hour to begin with.

So that lady is certainly concerned with inflation.

Mr. ROSENTHAL. How are your people doing? That's what I would like for you to tell us.

Mr. CHAPMAN. We see prices going up, the last reports corporate profits up 28 percent, the savings and loans in Texas are paying less than 6 percent interest on passbook savings that some of our members are able to have, yet they say they can't make money on 10-percent home loans. They need a 20-percent increase on the interest ceiling.

Our people see this stuff every day, and it is hard for them to understand when their wage negotiations come up and the boss wraps him-

self in the flag and says, "We have got to be patriotic and take 7 percent." So our people are lagging behind.

We feel like rather than voluntary controls with 130 people to monitor prices all over the Nation, we'd like to see mandatory controls. We have initiated a consumer price watch to try and make available to the administration some of the information about the prices. After we announced this we got over 50 responses the next day from volunteers, housewives, et cetera, willing to participate in this program. I wish I had some of that information to give you today, but the program is just getting off the ground and we haven't had the forms returned yet, but I think it will be an interesting program.

I would like to ask these people if they have any input that they would like to give about their particular unions.

Mr. WILLIAMS. Before you do, let me ask you: You say you are supporting mandatory price controls. Do you want to elaborate on that a little bit?

Mr. CHAPMAN. Well, if it's a choice between the voluntary wage/price guidelines, we have people enforcing wage guidelines. The employer gladly does that. So rather than that situation, I would rather see across-the-board controls on everything so that everybody has to bear the brunt of fighting inflation. I don't think we can do it by ourselves.

Mr. WILLIAMS. You feel, in fact, that labor has been mandatorily controlled by the action of the administration?

Mr. CHAPMAN. I visited with a union rep that had a negotiation with a small patio awning company, and when his negotiations came up, the employer representative came out and said, "Look, I feel like these people deserve more than 7 percent. They are low-wage employees, but we are owned by a large corporation that has large Government contracts. We will lose those contracts if we give them over 7 percent."

So I don't think that's voluntary.

Mr. WILLIAMS. In essence, you are saying that it is a mandatory control in many instances?

Mr. CHAPMAN. For the worker.

Mr. WILLIAMS. The argument was made, I think, Mr. Chairman, at the hearing we had in Washington where Mr. Kahn testified, that it used to be the case that the labor movement, and the labor wage increases caused inflation, and it appears now that you are in a catch-up situation with respect to pricing and wages. Would you like to comment on that? I'm sure you agree with that statement, that you are merely trying to maintain your purchasing power.

Mr. CHAPMAN. I think we are in a catch-up situation.

Mr. WILLIAMS. No question.

Mr. ROSENTHAL. Incidentally, I want to introduce Congressman Conyers of Michigan that has just joined the panel.

Go ahead.

Mr. HOLBROOK. I am Jim Holbrook with the CWA, and on the food, I wish the gentleman from the Bureau of Labor Statistics was still here—

Mr. ROSENTHAL. He is still here. He is in the back somewhere.

Mr. HOLBROOK. I don't know how they checked this thing, but there is a couple of stores out here in the north part of town that changed

the prices so fast that some of the old tags was still on it. That is not just on certain things, but quite a few items in the store.

Mr. ROSENTHAL. The old marking is still on the product and they sell it at the newly increased price?

Mr. HOLBROOK. Right.

Mr. ROSENTHAL. They do that all over the country.

Mr. HOLBROOK. Oh, is that right? I thought maybe it might be against the law.

Mr. ROSENTHAL. Not necessarily.

Mr. HOLBROOK. They leave the old one on and just keep adding to it.

Mr. ROSENTHAL. The prices change and what they have in the inventory they don't sell at the old price, they sell at the new price.

Mr. HOLBROOK. Well, you opened my eyes on that, Congressman.

Mr. ROSENTHAL. How often do you check these stores that you check?

Mr. RICHEY. Every month on food prices.

Mr. ROSENTHAL. You go to the same stores once a month?

Mr. RICHEY. Every month.

Mr. ROSENTHAL. Do they know you are coming?

Mr. RICHEY. Oh, yes.

Mr. ROSENTHAL. They know that you are coming?

Mr. HOLBROOK. That's all I have.

Mr. McBRIDE. My name is Gray McBride, with the Dallas Public Employees. We are representing the area of city and county employees, and I am inclined to be a little bit more long-winded than Mr. Holbrook because I met with my executive board last night, and we put together a few things that we thought might be of interest to the subcommittee.

With the general subject being the wage and price controls—

Mr. ROSENTHAL. Guidelines.

Mr. McBRIDE. Guidelines; that's right. I guess our overall attitude is "so what else is new" as far as public employees are concerned. I kind of have to concur with Mr. Chapman as far as the fact that the effect upon us locally here does amount for the most part to being controlled and that they do appear to be mandatory when you are working for the Government.

Mr. ROSENTHAL. Wages, you mean?

Mr. McBRIDE. That's right. Public employees and social services here in Texas are traditional political tools when you are talking about fighting inflation and cutting taxes, and these kinds of things. I guess you are familiar with we had a Governor recently elected and a pivotal plank in his platform was a 25,000 employee cut from the State payroll.

The areas where those people would be cut would be determined later and he has made a few rough attempts to get that done. We have a city council right now that has had put before it a proposal to substantially eliminate the city work force, and it was proposed by a council member, who has a long-range plan to eliminate public sector services, as provided by the city altogether. He would have contracted-out services in competition with the private market and the local government and city government would serve only as a regulator, monitor, contractor, whatever it might be.

Our county government recently introduced the zero-based budgeting concept which is used nationwide and highly touted by candidate Jimmy Carter in 1976. A few of the recommendations made by the zero-based budgeting team in pursuit of a no tax increase fiscal year included the elimination of the county library system and again a substantial percentage cut in the sheriff's deputies force, which were serving a lot of the poorer suburbs to the south part of the county.

Another thing that comes to mind, if you don't mind, I am just giving you a few scattered thoughts that we have put together last evening to kind of give you an overview of what is going on in Texas. City employees in the city of Dallas were offered a 3-percent raise for fiscal 1979 initially, which included the elimination of the cost-of-living rates. That was a merit increase.

Mr. ROSENTHAL. The people that gave you that raise, were they aware of the fact that food costs have increased in Dallas higher than anywhere else in the country?

Mr. McBRIDE. Well, technically speaking, when you eliminate a cost-of-living adjustment program, it doesn't matter what inflation is. They are kind of saying, "The economy is an outside factor, and we are going to deal with the internal aspects only."

So, in effect, they put on blinders to the economy. That was not entered into in the question of the 3-percent raise. This relates specifically to the Council on Wage and Price Stability in that we have had the police and fire organizations, the associations here locally, refuse to accept the 3-percent offer and chose to go to the ballot box with a referendum for a 15-percent raise.

Midway through the campaign we had the report from the President's Council stating that a 15-percent raise would, of course, be in violation. The reason I refer to local employees of the government as being under mandatory wage controls is because it is my understanding that a local government that exceeds the guidelines is in violation of the guidelines and is endangering Federal grants.

Now, this statement by the President's Council on the fact that the 15-percent raise would in fact be a violation was used considerably by the opposition to the referendum, and we had what amounted to a very heated political campaign going on as if people were running for office. As it turned out, there was an amended report issued by the council stating, "Well, that's right, the police and firefighters are simply units within an overall work force and they would be incorporated into the overall raise, and you would make it by a hair," which led the city management to tell their other employees, "Well, there goes your opportunity for a raise, because we can't be endangering those Federal grants."

So a lot of the guidelines handed down by the Federal Government on these have been used like a political football and for the most part the public employees are seeing them as being highly arbitrary, unfair.

When you are talking about employees who have been used in the past as one way to keep prices down in the Government, they are again in a catchup situation. They haven't even begun to catch up.

Mr. ROSENTHAL. How has inflation in the last year and in the last 3 months affected your people other than in wage negotiations?

Mr. McBRIDE. The inflation itself?

Mr. ROSENTHAL. Yes.

Mr. McBRIDE. Well, again, I am inclined to stick to the public sector arena because that is who I represent right now, and we are very concerned, and we spend a lot of time looking at a lot of the affairs of the Government in providing these services. This last winter and early spring we have had reports from the city government stating that due to fuel shortages and cost hikes in petroleum products, we would have to have a hike in bus rates, for instance, the bus fares.

In the city of Dallas—I don't know whether you are familiar with it, but unlike most metropolitan areas, we have a very skeletal transit system that serves for the most part only downtown employees and people who don't own cars, which is a small minority of the active population and the work force. That represents for the most part the unemployed, the underemployed, and the poor. So these people are taking another blow to the stomach.

They were also told that because of fuel shortages and the trucks did not have enough gas to run on, that following our New Year's Eve ice storm here, we would have to adhere to pretty strict guidelines on how to put the lumber out front for the trucks to pick up. We had a manpower shortage and a fuel shortage, a fund shortage to buy the fuel.

If you have an opportunity—which you probably won't—to drive around town before you leave, if you go into some of the poor- and middle-income neighborhoods you are going to find entire lots with trees destroyed still remaining there. You will find front yards with stacks of lumber waiting to get picked up by somebody or blown out in the street that have been there since New Year's Eve.

I do have one question, if you can address yourself to it. There has been some discussion about how merit increases for public employees would fall under the 7-percent guidelines, and it is my understanding that it would be left up to the local governmental and other parties that might be involved as to whether or not—outside of the cost-of-living raises—a merit increase or a seniority increase for employees would be—

Mr. ROSENTHAL. We are not going to try to respond to that. I don't think any of us are experts on wage/price guidelines. I am going to give you a copy of the—I don't know if you have seen one of these things. Maybe it says in there, I don't know. Does it, Peter, do you know?

Mr. BARASH. No.

Mr. ROSENTHAL. We could try and help you or one of the local Congressmen, I'm sure, can help you get a ruling from the Wage and Price Council.

Do you want to say anything?

Mr. CRAIN. Yes, I would. I am Lloyd Crain, and I represent the Sheet Metal Workers Local 68. Our jurisdiction, our territory is 79 counties in north central Texas. Our local union operates as a business. We have six automobiles and six paid agents, so we are consumers in the transportation area.

The recent jump in gasoline prices is having a chilling effect on our operation. Our membership in the construction area, we also represent production plants, but in the construction area it is very common for construction employees to travel 50 to 75 miles to a job

site for a few months. He probably lives—a good case would be in Palestine, Tex., and he might work in Paris, Tex., or Texarkana, long range. Normally people for years in that category car pooled. One fellow will have a new car and they will all jump in and go, but the immediate effect right now of this latest jump in the gasoline pricing is having a chilling effect on supplying manpower to job sites in remote areas. This is skilled manpower, this is not available at the small town level.

Now, as Brother Chapman said, our position right now, we are a reacting body; management acts, we react. We ask for a raise at the bargaining table and we are subject to the free market supply and demand of labor or whatever force we can exert to get a contract and we are locked in.

This morning my local union had a 2.4 increase go into effect. By our contract language this is governed by the cost-of-living change for the period May 1977 through November 1977. The procedure of using an 18-month lag between the cost of living and the pay raise is to give the employer bidding on construction work an 18-month leadtime knowing what his labor cost is going to be.

So the effect of inflation today would not affect our contract until 18 months in the future. Like I said, this morning we had a 2.4 percent raise go into effect governed by approximately a 6-month period that resulted in a 28½-cents-per-hour increase, a very small increase, wage wise.

November 1, it will be 61 cents per hour, which is a 5.2, governed by November 1977 until, I believe it is May 1978, which is the year previous.

Now, at times our increase under this procedure might exceed the guidelines, and certainly we feel like the building trades area in the Dallas area took a 1-year extension with no pay raise, and that was from May 1978 until May 1979. We have served our time in being reasonable, and so forth, by taking a year extension with no pay raise.

So the pay raise we got this morning is the first increase our membership has had since 2 years ago. So we have, say, bit the bullet.

Now, as far as the effect right now on our building construction trades membership, to carry on a conversation with them they are almost in a panic situation because just about the time they think they have caught up, it jumps away from them. It is a very slippery situation. I think I speak for all the people that I represent in saying that if somebody is going to regulate our income, we want some regulation on the fellow's income that we are going to buy from. Fair is fair.

We don't feel like it has been fair and I am going back, like to 1971, 1972, under the CISC, a very iffy situation.

I think that would be about all the input I have without getting into a lot of boring statistics.

Mr. ROSENTHAL. All right, thank you very much.

Mr. Conyers?

Mr. CONYERS. First of all, I want to thank all of you for responding to this subcommittee's visit to some eight cities. As has been indicated to you, this is a very important hearing in that we will take back to Washington the feelings and reactions and the problems and the ex-

periences that are occurring throughout our country. So I am very grateful for your responses.

I would like to deal with one major area. What are the solutions? There is a lot of misconception emanating from Washington that solutions have to come from the economic experts. What about solutions coming from the rest of the country. You are living with the current situation. I would like to find out from each of you what you are doing at the local level. What are local elected officials and local organizations doing to resolve the problems that have been described here today.

Mr. CHAPMAN. We are trying to educate our members and dispel the myth that balancing the budget is going to solve all the problems of this country, because the areas we have been talking about, food, shelter, and utilities, transportation, medical costs, clothing, I feel like you could cut out all of the CETA funds and that is not going to substantially affect the price increase in those items. We don't feel like we can ignore the poor and needy of this country.

The last Congress granted a lot of tax cuts and things like that to big business for an incentive, and now we are seeing the profits come up, so we don't see what the workers' incentive is to stay with this 7 percent. If they want to balance the budget, you could also tax some of these corporations and people that are millionaires that don't pay any taxes. That would have the same effect as balancing the budget as it was making the poor people bear the brunt.

Mr. CRAIN. Let me say that you are dealing with a Government agency. I think I talk just as a plain citizen now. We have had very poor response in this area of Texas in trying to deal with the illegal alien problem and all of its abuses, and so forth. We have had very little response from the Federal Government area.

The same with trying to prove and have updated prevailing wages in certain areas and enforcement. So if we are going to talk about some Federal program to try to get a handle on this situation, there has got to be a very definite show of commitment from the agency. The Congressman's question to the gentleman here about the gasoline, what is being done? Is there any fire behind all this smoke?

We feel like—I think my group feels like that to try to get a handle on the situation, there should be, say, a moratorium for 6 months, 1 year, just stop everything right as is and then try to see who can justify these prices—

Mr. CONYERS. You would put a lid on prices?

Mr. CRAIN. And wages. As is. Now, everybody is going to survive, nobody is going to kneel over and starve to death, you know. Just stop this mess and let's have a look at it and then if somebody is justified, if they are truly selling a product at a loss, big deal, give them an adjustment, but, otherwise, up until then it is so much talk.

Mr. CONYERS. Very good.

Mr. HOLBROOK. Another thing, the legislative branch—and this is from a fact sheet from our international union, which I will give you a copy of when I leave here—the legislative branch could enact an excess profits tax to insure that business maintains fair prices. In addition, the Senate and the House could close up the gaping loopholes in the Tax Code that permit \$125 billion to escape the Federal Treasury, an amount which they say is equal to the budget of the Defense Depart-

ment, which costs more revenue to operate than any other division of the executive branch.

We have already heard some talk about the oil deal, you know, about the windfall profits taxes, so I think this would be good.

Mr. McBRIDE. I will just say that our members for the most part have looked at—a trickle-down economic theory is pretty cockeyed and they are not accepting a trickle-down solution theory any more warmly.

Again, I would just have to say that our main fear, and I don't see a solution because I don't know within what limits we have to work, I do see because we have a whole slough of officeholders right now elected on a political no tax increase, I don't see them backing off that for a couple of terms until it really gets tight.

Again, I think if they have to choose between not paying their employees a living wage and not providing the services, even the essential services, and raising taxes, I know which one they are going to pick. There is not going to be a tax raise, there is going to be an elimination of the present level of services as we see it.

Right now we have sanitation workers who complain—not so much about the wages, that's a big gripe—but the fact that they have got one man on a truck where there ought to be two or three, that they are hitting half of the routes they are supposed to be hitting. They are hitting routes once a week as opposed to twice a week. I think it is an accepted theory that employees and workers for the most part are going to be concerned first and foremost with the ability, the authority, the resources to complete their assignment.

How much they get paid for that assignment is on down the line, and that is certainly the case with public employees in north Texas and I wouldn't be surprised if it was the same thing in the private sector.

Mr. CONYERS. Are you experiencing an increase in the number of your members who belong to two-breadwinner families. Also, I would like your comments about members of your unions who are sliding into increasing debt, even though they are making rather decent annual incomes. It appears their debt continues to outpace whatever they are bringing home? Is this an experience that any of you can report to us on?

Mr. CHAPMAN. We are finding that our members, almost every one of them have to have both members working if they expect to purchase a home. When they go into a home purchase, you are talking about a 30-year debt, so they are not having the wife working, planning on it to be a 2- or 3-year thing to get them ahead. They are making plans for 30 years when they buy these houses, an average price, I think in Dallas is somewhere around \$60,000.

These same young people coming into our apprentice programs and coming into the jobs see that they are trying to raise the mortgage rate 2 percent, well, that is just going to price them out of the housing market.

Mr. CRAIN. I remember several years ago I made a loan at a bank and I had to sign an affidavit that I was not borrowing this money to use as the down payment to buy something, it had to be a direct payment. It would seem to me it would be healthy for the country, and I am thinking about when a person is making, say, a middle income wage, yet—now, it might be meddling into his private business, but there should be some regulation on entering into debt because I feel

like that the way real estate is selling in this area and until this thing about the usury limit, I personally know the first home I ever bought is now on the market. I bought it in 1953 for \$7,450, and I lived there 9 years and sold and we moved on. There was an indication that it might be a good buy if somebody would buy it and fix it up.

So I looked into it. The blooming thing has a contract on it for \$29,500 and it should be burned down. Some consumer is going to take a note on that thing for \$29,500, live there 2 or 3 years, probably default and kick the windows out and move on. I feel like there should be some governmental dampening on entering into credit because it serves no good purpose to get that fellow into something. He goes bankrupt. To me, it is another consumer trap. A fellow has got to have a place to live—

Mr. ROSENTHAL. There is one thing I wanted to ask you. Recently, I think it was some 4, 5, 6 weeks ago, Mr. Meany joined with the administration and said that all his people would monitor prices around the country. Can you tell us what you are doing and who you are reporting to and what effect this has had?

Mr. CHAPMAN. We are doing this through a community service department of the local council. I previously stated the day after we announced this program we had over 50 volunteers from union members that wished to participate. Our response has been real good. We haven't had time to get the forms back.

What we do is our members take these forms out, fill them out, food, they will check it biweekly. Most of them check it monthly, like utilities, shelter costs, medical costs—

Mr. ROSENTHAL. So far you have not given in any reports?

Mr. CHAPMAN. No; not yet.

Mr. CRAIN. We are just starting.

Mr. McBRIDE. I really do believe we are at a level right now of still defining inflation. Well, we are still at a point of education, much less action on the entire issue. The action is going to have to come with a little bit of awareness.

I think that perhaps the President's guidelines are serving as one individual's or a group of individuals' definition and that is something for us to play with.

Mr. ROSENTHAL. When do you think your people will have their first report?

Mr. CHAPMAN. I would think within about 3 weeks we should be able to get the initial forms in. We send these on to the national AFL-CIO and they compile that.

Mr. ROSENTHAL. What are they going to compare it against, prices when? That is what I don't understand.

Mr. CHAPMAN. Well, I'm not sure on the national level.

Mr. ROSENTHAL. Why don't you talk to that fellow from the Bureau of Labor Statistics and he will teach you how to do this stuff.

Mr. CHAPMAN. I will be glad to.

Mr. HOLBROOK. He is not going but once a month.

Mr. ROSENTHAL. At least you should have a conversation with him.

Mr. CHAPMAN. Our response has been not only from union members, we are having community members also participate, any organization we are glad to have their assistance in this program.

Mr. CONYERS. Gentlemen, I would like to ask you frankly if you think there is any hope, any way out of this situation? What is the feel-

ing here? You are in a way elected just like we are, you are representing thousands of thousands of people. What is the mood of the people around here?

Mr. CHAPMAN. The mood is that we don't feel like we can bear the brunt of fighting inflation, and we are not really looking at the long-term solutions right now. It is sort of like the guy in the swamp, there's too many alligators around to think about getting out of the swamp. You have to try to stay away from the alligators.

Mr. ROSENTHAL. Thank you very, very much. We are very grateful to you.

Our next witness is Marilyn Sels, Dallas Legal Services, and her colleagues. Ms. Sels, are you here?

Ms. SELS. Yes; I am here.

Mr. ROSENTHAL. Come on up here. Why don't you bring all of your people with you, too.

Thank you all very much for coming. Tell us how you are coping with inflation.

Ms. Sels, do you want to begin.

STATEMENT OF MARILYN SELS, DALLAS LEGAL SERVICES; ACCOMPANIED BY JUARENE HOLLINS; ELVIRA MORALES; REBA AKINS; ROBERTA JOHNSON; LOIS CHRISTIAN; CORA LEE SIRLA; AND ALLENE HARDY

Ms. SELS. I would like to say briefly for a moment, these are all low-income clients of Dallas Legal Services Foundation, and they are all currently on very low incomes and they came to let you know the difficulties they are having as prices go up.

Mr. ROSENTHAL. Thank you for coming. Why don't you begin one by one and tell us your name and tell us what you want.

Ms. HOLLINS. My name is Juarene Hollins. One problem that I have, the cost of living and housing, the way the housing is today. The cost of living is so expensive, I am only receiving \$87 a month and getting \$88 food stamps, and I have one child that lives with me. What we are living off of we can't hardly make it on the budget that we have today, and the cost of living is to the extreme.

We have to get clothing out of that, we have to pay our furniture bill out of that. We have so many little odds and ends that we have to pay out of that that we cannot come up to the budget that we have on \$86 a month.

Mr. ROSENTHAL. What do you do about it?

Ms. HOLLINS. Well, there is not anything because I am disabled to work and my little boy is only 15, so all we have to do is just—we can't—there is a lot of bills that we cannot meet. We have to let them go until the next month.

Like the money, what we are getting now, we are not able to buy anything, you know, out of the ordinary. All we have to do is to pay our rent and get some food to last about half of the month off the \$86. Maybe get one paper sack of food and a half that we have to live off of, and then the next 2 weeks we have to go and do without the next 2 weeks.

Mr. ROSENTHAL. What do you mean, "do without?"

Ms. HOLLINS. That means that we don't have any food to come up to the next month on the welfare, on the stamps that we are getting. So they fixed it so that we could get \$88 worth of food stamps, and then you make up the rest, what they cut down—say, about \$100, I was getting \$100 worth of food stamps and they cut it down to \$88. Then they say you make up for that hundred dollars out of your welfare check.

Mr. WILLIAMS. How old is your son?

Ms. HOLLINS. My son is 15.

Mr. WILLIAMS. How is the opportunity for youth employment in the summer? Is it good around this area?

Ms. HOLLINS. Well, he was working during the summer and he got sick. So this was the little income that we have to—got to bring it up.

Mr. WILLIAMS. He almost has to in order—

Ms. HOLLINS. This is true. This is true. He has to buy his own school clothing, and he had to buy his own pencils and paper and because we can't get nothing out of the AFDC, out of the grant that they give us to live off of, nothing but just the eat and sleep.

We can't get nothing else extra. He has to have school clothes to make it, so he stayed out of school because he was sick, and when he went back they said that he had missed 15 days because he couldn't work or do anything.

Mr. WILLIAMS. How long have you been in this condition?

Ms. HOLLINS. How long have I been in it?

Mr. WILLIAMS. 5 years, 2 years?

Ms. HOLLINS. Well, sir, I was born handicapped. I am a disability person.

Mr. WILLIAMS. The only reason I asked, I would like for you to compare the inflation factor now, which is the thrust of this hearing, with a couple of years ago.

Ms. HOLLINS. Well, just recently when I stopped working, which was in 1976 that I was suffering from—

Mr. WILLIAMS. Was it easier to live in 1976 on the programs that you are on compared to—

Ms. HOLLINS. Well, it was much better because I was doing little odds and ends work then.

Mr. WILLIAMS. How about the cost of items?

Ms. HOLLINS. Well, it wasn't as bad as it is now.

Mr. WILLIAMS. Is was not as bad?

Ms. HOLLINS. No, it wasn't.

Mr. CONYERS. Have any of you ever tried to contact the people who are elected and represent you all, all the way up to the President of the United States about this problem? Have you ever said anything to anybody in any office or written anybody or called them up to talk with them about this? I would like you to tell me what happened as a result of that or what it was that you told them.

Ms. MORALES. My name is Elvira Morales. I had to go to the Legal Aid after pleading and going to the social security about my disability. I had a fall at work and I couldn't get anything from my employer, yet I had to get what little I got from him. By the time I got it, I owed every bit of it.

Then I had to go to the Legal Aid after 3 years of trying to get social security because I was disabled. My spine had been torn in two

with a plastic disk. My ribs had been taken out. All of this information had been sent to Washington. They did not respond to anything, but still said I was not able—that I wasn't disabled enough to receive anything.

I had to go to a Legal Aid and take my papers, which they did not have over there. The papers that they collected here from the doctors and the hospitals and the social security office here, they did not have them in Washington because they were not sent there.

Finally, when my lawyer brought them back, they were sent back to him, well, then they were different. They were the original ones which was never presented to Washington.

Finally, I did start getting my social security, which isn't much, but it helped. By the time I got that little lump sum they sent me, they had taken all—everything that was due, but then I was behind on my home, behind on everything, and I was owing the grocery store. But now I am getting \$127 a month.

Mr. CONYERS. How much?

Ms. MORALES. \$127 a month.

Mr. CONYERS. Tell me your name, please.

Ms. MORALES. Elvira Morales. I have a son and he is 19, he will be 19 in August. He has been working part time. He graduated from school, high school and went to college on the first and second semester, and they dropped him because he didn't have enough math.

He was working part time and trying to get on a full-time job. That \$127, out of that I have to pay \$100 for my house payment, which was reduced to \$100 on account of my disability, yet my problems are my utilities.

Most of the time I spent in the hospital, yet when I come home one little heater in three rooms and a low ceiling, I have to pay \$54 for gas, so much for water which was not used.

Mr. ROSENTHAL. Do you get the same food stamps? How much do you get for food stamps?

Ms. MORALES. \$10 a month which started last month.

Mr. CONYERS. Before that you didn't get any?

Ms. MORALES. No food stamps, I didn't get any—I had to pay my own medicine until I was told to apply for SSI. I applied for SSI, and it started last month. They gave me \$10 worth of stamps and then I had a hypertension attack and I was in the hospital 19 days. I went in the hospital April 3.

Mr. CONYERS. What items in your budget have gone up that you can measure and tell us about?

Ms. MORALES. What items?

Mr. CONYERS. Yes.

Ms. MORALES. Well, such as the gas and the lights, it has gone up. So has my water and as far as food is concerned, it has gone sky high. You cannot get a pound of hamburger unless you go and pay \$2.09.

Mr. ROSENTHAL. How do you handle that?

Ms. MORALES. We just make it up the best way we can, sir.

Mr. ROSENTHAL. I don't know how you are doing it.

Ms. MORALES. Well, if you are used to eating a \$12 steak every time you sit down, well, you can't do it. If you just save up, you know, what little—

Mr. WILLIAMS. Do you have times at the end of the month before your next check comes that you do not eat?

Ms. MORALES. Well, no, I always manage to eat, even if it is greens, scratched out or sorted or whatever.

Mr. CONYERS. Can everybody at the table say that?

Ms. HOLLINS. No, I can't say that.

Mr. CONYERS. Tell us about that. If we can interrupt just a minute, our colleague said, is there anyone here who at the end of the month runs out of money and food?

Ms. HOLLINS. Yes, yes.

Mr. CONYERS. So what happens then?

Ms. MORALES. What happens then? I tell you what happens. I have got a little store right next to the corner where I live, and I owe them \$82 right now because I go and get on credit. He is so kind because he knows how my situation is. He is so kind and he said, "Pay me when you can or how you can."

Mr. CONYERS. Well, tell us—

Ms. HOLLINS. I don't have that. What I do, we use a lot of leftovers.

Mr. ROSENTHAL. Did you give your name for the record?

Ms. HOLLINS. Yes, my name is Juarene Hollins.

Ms. AKINS. My name is Reba Akins.

Ms. JOHNSON. Roberta Johnson.

Ms. CHRISTIAN. My name is Lois Christian.

Ms. SIRLA. My name is Cora Lee Sirla, S-i-r-l-a.

Mr. CONYERS. You actually run out of food, you were going to tell us?

Ms. HOLLINS. Yes, and I don't have no store that I can go and purchase food until the next month. We have to do with what we have left. That's what we have, leftovers that I have put in foil. Just like we put it in foil and save it for later on, you know, like that, but we don't have no store that does us like that.

Mr. CONYERS. Does anybody else want to tell us about their experiences when we get to that last week or two in the month?

Ms. JOHNSON. Well, I get \$189.40 a month, SSI, and veteran's widow's pension, and I have a six-room house which my husband passed and left it in bad shape. The city rides my back all the time to have it fixed, and I can't fix the house and pay my bills.

I do run out of food stamps by the end of the month. My stamps come on the eighth. I have to buy food, I get them on the eighth of each month.

Mr. CONYERS. How much do you get in food stamps?

Ms. JOHNSON. I get \$74. I was getting \$100, they cut them to \$74 and I got a letter they are going to cut them down to \$61. It is me and my little 5-year-old granddaughter—I raised her from birth—in my family.

Mr. CONYERS. Have any reasons been given for the food stamp reduction? Everyone has reported that.

Ms. SIRLA. I haven't gotten mine yet. I have a letter to go tomorrow and apply again after I got out of the hospital.

Mr. CONYERS. But has anybody been told why their food stamps are being reduced?

Ms. MORALES. The reason mine were reduced was because I got social security.

Ms. HOLLINS. The reason they reduced mine is because I didn't have to pay for them. You know, but I have to add the \$18 onto that out

of my check, but I won't have to go—when I go to pick up my food stamps I won't have to pay for them. I just go there and pick them up.

When I get my check of \$86, I take the money out of the \$86 and make it come up to \$100, which I haven't progressed anything. It is still the same thing that I had to pay for.

Mr. WILLIAMS. Ma'am, I have forgotten your name.

Ms. SIRLA. Cora Lee Sirla.

Mr. WILLIAMS. You are going into the hospital?

Ms. SIRLA. I just came out about a month ago?

Mr. ROSENTHAL. How was that paid?

Ms. SIRLA. Well, because—

Mr. WILLIAMS. Who paid for that?

Ms. SIRLA. Oh, I guess the State paid for it. You know, I don't have any money to pay for a doctor bill.

Mr. WILLIAMS. Do you have local county or city welfare?

Ms. SIRLA. I have a card they gave me to go into—

Mr. WILLIAMS. Do you have a county welfare department here?

Ms. SIRLA. Yes. That's where I go for any kind of sickness, you know.

Ms. SELS. We have a maximum county grant of \$44 a month, and they can sometimes assist on rents and utilities, but it is a fixed amount, and when bills go up—

Mr. WILLIAMS. My next question: Are any of your welfare payments or other Federal payments based on the unemployment figure?

Ms. SELS. No. If you are saying the grants do not increase, the agency grants haven't been raised in several years, nor the county grants. There is no cost-of-living increase.

Mr. WILLIAMS. I know the Department of Labor is still here. The CETA program and certain other program payments are based on unemployment factors at various times of the year. I am trying to determine if any of your State's welfare assistance programs are based upon unemployment.

Ms. SELS. We have a constitutional ceiling on what can be given out on welfare, and that is the reason why it is not raised. Any action would have to be through the legislature.

Mr. WILLIAMS. At the State level?

Ms. SELS. Yes.

Mr. WILLIAMS. The State constitutional level, you cannot exceed regardless of the Federal program that's involved?

Ms. SELS. That's right. The State of Texas could choose to supplement, the SSI grant does provide; they have chosen not to supplement.

Mr. CONYERS. Can anybody else here tell the subcommittee about actual cases where prices have gone up which bear directly on the cost of living? We have had one of our witnesses, Ms. Morales, tell us how things have gone up. Can any of the rest of you contribute to that?

Ms. JOHNSON. Yes. In my neighborhood, there is a small store out on Westmoreland, a small box of crackers is now 51 cents, and lettuce is 49 cents, and different little items has gone up here lately, where I have to go around close to get my groceries or either pay somebody to carry me.

Mr. CONYERS. Anyone else want to contribute to this discussion?

[No response.]

Mr. CONYERS. If we were trying to prove to the Congress that inflation was hitting the poor worse than anybody else, what would you tell us to tell them to prove it? How would we go about proving it?

Ms. HARDY. My name is Allene Hardy, and I would like to recite a case——

Mr. ROSENTHAL. Why don't you come up and sit at the other chair so we can hear you better. Tell us your name again, please.

Ms. HARDY. My name is Allene Hardy, and I live in the northeast Dallas part of town, and I would like to say that inflation has really hit, particularly on the senior citizen on fixed income.

For instance, my grandmother, 102 years old, her SSI is \$189. Twice this year she had a gas bill of \$103, \$101 for the month.

Mr. CONYERS. For the month?

Ms. HARDY. For the month. All right, for the month of December it was \$103, for the month of January \$101, but still her check is \$189. So she has to pay that gas bill so that she could keep warm so, consequently, she did without other things. You see, that \$189 fixed income, now, if that——

Mr. ROSENTHAL. She gets \$189 a month, and her gas bill runs \$101 a month?

Ms. HARDY. \$101 and \$103. One month is was \$101, and the next month, \$103.

Mr. ROSENTHAL. What did she do with the rest of the \$80 a month?

Ms. HARDY. That's what she tried to live off of. That's what I am saying now, you understand? Every time I go to the store for her, everything has gone up, everything, whatever. Everything that she has to use has gone up. Things like clothing, things like that, she doesn't—just forget about that, you know, just the things that she has to have. No clothing, she can't do it.

Mr. CONYERS. Has gas gone up itself? Is that reflecting a higher price?

Ms. HARDY. Yes; it is, and not only that though, the lights is also keeping pace. It is all going up, keeping pace. The light bill is not quite as high, but it will be like for the summer, it may be around \$26, \$27 for lights. But utility bills is really eating them up, I mean, because you have to have these things if you are going to keep warm. She is 102, and she has to keep warm. The house has to be warm. She is real frail and she is cold. There is no way you can put her in one room and let her be there, that's impossible, see.

So with 2 months this year. then the next month it was 80-something. Three months she had \$101, \$100 and then \$80-something, gas bills, I'm saying.

Mr. WILLIAMS. I'm just amazed—I'm not amazed, but I can relate to incidents in my district. I am listening, and how in the world can you live on \$10 a day or \$5 a day? How do you do that?

Ms. HARDY. Well, what I am saying is——

Mr. ROSENTHAL. She doesn't have \$5 a day, she has about \$2 a day.

Mr. WILLIAMS. What would you buy with the \$2 to even feed yourself?

Ms. HARDY. Well, nothing, nothing. Now, I mean, actually——

Mr. WILLIAMS. So you find that sometime during that month, you do not have anything?

Ms. HARDY. That's right.

Mr. WILLIAMS. You do not eat?

Ms. HOLLINS. It's the little stuff that we have left that we have to bring it up to that month.

Mr. WILLIAMS. Leftovers, I understand that.

Ms. HARDY. For instance, like meat—

Mr. WILLIAMS. Soup, you cook it?

Ms. HARDY. Yes, things like meat, forget it.

Mr. WILLIAMS. That is a direct result?

Ms. HARDY. Right, no meats. Even the hamburger now is out of reach. Now, the things that I can feed her that is kind of reasonable is chicken. She loves fish, it's too high. You can't get fish, too high. Ground beef is \$1.99 a pound, too high. Short ribs, too high.

These are supposed to be low cuts of meat, you know. Now, we are priced out of eating meats that we need to sustain her, and she is suffering sometimes from malnutrition, and we do the best we can, but that's definitely it. But these people, they really don't make it.

Now, when she goes to the hospital—she just got out of the hospital—then she gets everything she needs, but they have to put her on high-powered vitamins.

Mr. WILLIAMS. I just wanted to follow my colleague's question of a moment ago. Tell me what it was like 2 years ago before all these prices went up, was it just as bad, or was it easier?

Ms. HARDY. It was a little easier because the price of beef and meats were not as high.

Mr. WILLIAMS. You ate meat 2 years ago?

Ms. HARDY. Yeah, we ate hamburger. Yeah, at that time we ate meat. It has always been a problem trying to manage, but you could have a variety. You could have maybe a pot full of stew one day. You may have some hamburger or whatever, but now all you get is—that's left out.

Mr. CONYERS. Do friends or neighbors have to loan you food and assist you and share? Do you do that with some of them who are even in worse shape than you?

Ms. HARDY. Yeah, we have to do that sometimes.

Mr. CONYERS. Some do and some don't?

Ms. HARDY. Right.

Mr. CONYERS. Tell me about that part of your experience.

Ms. HARDY. One of our neighbors—and she's very ingenious—she will make a pot of soup, you know, and she will—everybody, she knows her neighbors, she brings us some. You know, it's very nutritious, I mean, it's homemade, and that kind of thing.

Sometimes—she's a little bit more better off, let me say it like that. She would have her club there for things, her neighborhood club, and she will share that with the people who don't come. She will bring them a piece of whatever they serve, you know, cake. She has a club once a month. She has her neighborhood club or church club or whatever.

Now, she has that in her home. Now, she will share that with the shut-ins.

Mr. CONYERS. That's in keeping with the Christian spirit.

Ms. HARDY. Right. There is one lady in our neighborhood that does that.

Mr. ROSENTHAL. Thank you.

Ms. Sels, was there anything else that you think you should tell us?

Ms. SELS. I would just like to speak to what she is saying about people helping out as an alternative to their problems. People who are on AFDC or SSI must report every assistance like that that they get. They are only allowed \$60 every 3 months in support, no matter the manner of contribution, and that's built into the act.

Mr. ROSENTHAL. Do you have any thoughts at all—about what we should do about all of this?

Ms. SELS. Well, there are some things that are being submitted in Congress right now, and one of them is that anything that is contributed to a person will not reduce her grant, their AFDC grant or SSI grant, that anything they get will not make their grants less. It is self-defeating for someone to be helping you because they reduce your grant.

Mr. CONYERS. You mean if someone gives you something and you report that, then, your grant is reduced accordingly?

Ms. HARDY. If you report it.

Ms. MORALES. You are not supposed to take anything.

Mr. CONYERS. We are winding up.

Ms. CHRISTIAN. My name is Lois Christian. I am on AFDC, and I receive \$116 a month, but my worker told me that gifts, like, if someone gave me something, that I did not have to turn in a gift. Like if someone was contributing money to me, you know, helping me pay my bills, or something like that, I did have to turn in that, but just like giving a gift to me, they told me.

Mr. WILLIAMS. A pound of hamburger?

Ms. CHRISTIAN. Sir?

Mr. WILLIAMS. A pound of hamburger?

Ms. CHRISTIAN. No, I'm not talking about food because no one does that to me. I don't have that at all.

Mr. WILLIAMS. Was that permitted? Maybe Ms. Sels knows?

Ms. SELS. Well, they are permitted and most people don't report, you know, a one- or two-time thing, but a \$10 bag of groceries must be reported.

Mr. ROSENTHAL. I was just reading through the Consumer Price Index of the Bureau of Labor Statistics for this area, and it indicates that goods and services which cost Houston residents \$100 in 1967, cost them \$224 in February of this year.

Have all of you found the situation becoming increasingly difficult in the last year?

Ms. HARDY. Indeed, and frustrating, to say the least. It is very frustrating to try to do something about it.

Mr. CONYERS. The one question that the chairman is going to let me ask is this: What has been your experience when you told all the people that represent you about it, and what do you think this means for the future of the country?

I want you to think about that, and if you have a response, tell us; if you don't, that's all right.

Ms. HOLLINS. Most of the people we talk to, their hands are tied. There ain't too much they can do about. There is a certain amount that you are supposed to get and that's it.

Ms. HARDY. I have talked to my representative in Austin, and where he is favorable to his constituents' needs, there is so many down there that is not. The question is, Texas is very, very low, which you know,

in terms of doing anything for their people, AFDC or whatever. They be right down at the bottom of the barrel, you know, in terms of that.

I think they have granted an increase of about \$5 to \$10, after so much hassle. Now, in Texas I don't think is thinking too much about it in terms of really—you just want to know the truth. I don't think they think very much about it at all because it took all this effort, all this many years to get this little bit. I think it is about \$5, or whatever it is, passed through.

Texas is supposed to be a very, very rich State, and I don't think they take too good care of their people in need, AFDC, SSI, et cetera. I think that is on the bottom of their pole. This is my frank opinion about it.

Mr. CONYERS. That's exactly what we want.

Ms. SELS. Just in closing, I would like to say one thing about Social Security. Most of these people here are on disability benefits, and the crunch is coming now, and the President is trying to cut the rolls, or it seems to appear that they are becoming much stiffer in the number of people they allow to be on disability, and they are attempting to cut them off every year when they are up for annual review.

Mr. WILLIAMS. Let me ask you one question. Can you give me a percentage of senior citizens qualifying on the basis of need as compared to 2 years ago? Can you do that?

Ms. SELS. I really don't think I have the figures here.

Mr. WILLIAMS. Seniors on fixed income who are suffering now who never before qualified for the so-called welfare program. Can you give us anything like that?

Ms. SELS. They say the cost of living has gone up 15 percent a year, and you can imagine their income, their cost-of-living increase is maybe only 6 percent.

Mr. WILLIAMS. Can you get that information for us?

Ms. SELS. I can try to.

Mr. WILLIAMS. I would like to see whether there has been a significant number of seniors on some type of fixed income, retirement, private, or social security, who have moved on to the welfare rolls in the last couple of years. I think it is obvious.

Mr. ROSENTHAL. Thank you very, very much for coming. We are very grateful.

Our next witness is Mr. Aaron Floyd, president, Association of Community Action Agencies.

Begin as you feel free to do so. Are you Mr. Floyd?

STATEMENT OF AARON FLOYD, PRESIDENT, ASSOCIATION OF COMMUNITY ACTION AGENCIES; ACCOMPANIED BY JUNE ROSS; EMMA CARTER; THURMAN DORSEY; AND MIKE PACO; MEMBERS

Mr. FLOYD. Yes, sir.

Honorable chairperson, members of the committee, we are very grateful to you that you would schedule us in your agenda today so we talk about a problem to you and relate to you the things we know about on a daily basis, how poverty, how inflation is impacting that segment.

I think all of you know how unpopular it is to be poor, and who cares about those in poverty? This society of ours, being the richest country

in the world, private enterprise oftentimes forget those people who are poor.

We are here today to talk to you about—we have 54 CAA's and all but 5 of Texas' 254 counties. We serve a constituency of some 1,870,000 poor people in our State.

Needless to say, this segment of people—of the population is one of the most vulnerable segments of our State's population. We know that inflation has become a grueling problem for us, our constituency, and all Texas.

I might share just a few statistics with you. Texas has the second largest number of poor people in the Nation or 15.2 percent of the State's population live at or below the poverty threshold. Texas rates 10th in the percentage of poor persons.

With us today are some of our colleagues. You have in front of you a prepared statement that represents all sections of this State. We called in all of the executive directors of Community Action agencies in the State of Texas and compiled these statistics, a unified statement that is representative of all of them.

I would like to present to you, to further elaborate on our statement, one of our colleagues, a very able person who has been in the fight against poverty for a long time, to clearly delineate and articulate to you our problems, our concerns, Ms. June Ross.

Ms. Ross. Thank you, Mr. Floyd.

Gentlemen, the State of Texas is served by 54 Community Action agencies, all firmly committed to alleviating the plight of some 2½ million Texans who are identified as being economically disadvantaged, or to use a more positive word, "poor."

It is because these Community Action agencies are most actively involved with, in daily communication with, and privy to the most abject need of this group, that we would presume to tell this body of some of the punitive effects of inflation on these, the most vulnerable of Texas.

For these Texans, counted as poor, inflation does not mean doing with less, it means doing without. Anything that impacts the middle class is magnified 100 times in its impact on the poor. All areas of human life are affected by the monstrous rise in the cost of all living expenses, but today, the State Association of Community Action Agencies has asked me to speak to a few major concerns.

It is hoped that you will agree with us when we say we are speaking only of the basic necessities for life, none of the accessory needs for creature comforts are included in this dismal litany of needs.

Food prices in some communities have risen as high as 93 percent over previous costs for the barest of food needs. This translates into senior citizens drinking a bottle of beer in the morning because the cost of milk or another beverage is priced beyond reach and does afford more nutrition than anything else they could afford to buy. This translates into the inability of senior citizens to buy dog food by the case as was previously the case, the cost of that commodity having risen.

This translates into large chain stores—

Mr. CONYERS. For their—to personally consume?

Ms. ROSS. Yes, sir, personally consume dog food.

Mr. CONYERS. So it is now so much more expensive—

Ms. ROSS. Yes, sir.

Mr. CONYERS [continuing]. That they can't even——

Ms. ROSS. Buy it by the case, they buy it by the can.

Mr. CONYERS. This is documented beyond any question?

Ms. ROSS. Yes, sir.

Mr. FLOYD. Indeed it is.

Ms. ROSS. This translates into large chain stores closing stores located in the ghettos and the barrios, leaving the residents at the mercy of the neighborhood stores. Along with the closing of the larger chain stores comes the horrendous problem of transportation.

At this point it might be injected that any rise in prices, any taint of inflation assumes major proportions within the poor community, and the rippling effect is felt by the whole social strata. Lessening of any service delivery, be it public or private, begins in the poor community. Thus, closing stores all but completely removes the accessibility of moderate priced foodstuffs, and can actually trigger severe nutritional problems which may never be corrected, and if corrected, it is done so at great needless expense.

It has been only within the past 10 years that damage caused by malnutrition has been properly assessed and now knowing what lack of proper food can cause, we are faced with the unfortunate spectacle of little or no food.

Life as we know it today in America and certainly in Texas requires the ability to be mobile, to move with ease from place to place. Trips are of major necessity; be it to the store, the doctor, the hospital, the clinic, and let's not omit the job. Transportation costs on public carriers have steadily risen until it behooves people to make even the most necessary trips. All the job training in the world is meaningless if the employees cannot get to their place of employment. Sick, aged, handicapped, blind, deaf, crippled persons are locked into their unidimensional world and find it all but impossible to get transportation to the most necessary places.

The headlong rush to the suburbs has taken with it all that was supportive of less fortunate citizens in our communities. Inflation isolates and divides even more.

Persons on fixed incomes or working for the minimum wage per hour are hard pressed to meet the least basic of needs for human living, something has to be sacrificed. During the operation of crisis intervention programs by the CAC's it was learned positively and shockingly that senior citizens pay their rent, or its equivalent and their utility bills. Other needs must be done without. Thus, the budget, if the management of that paltry amount can be called a budget, has no room for clothing, transportation, or the most economical form of pleasure. Housing and energy, plus a meager amount of food takes all the monthly income.

What can be done for this 15.2 percent of our State's population? What will become of these 1,870,000 people? Inflation is hurting all of us, but it is killing the poor. Elderly persons are dying from the heat in the summer and from the cold in the winter. The North is not the only section of our country with cold problems. Texans get cold, too.

We of TACAA, Texas Association of Community Action Agencies, propose the creation of a tax incentive for utility companies to provide for lifeline rates for senior citizens. This would be an equitable, prorated utility rate scale for senior citizens. We of Community Action

will continue to attempt to render this segment of our State's population all the assistance that we can, regardless of inflation, its effects, and its ends.

This is a statement from the Texas Association of Community Action Agencies. At your pleasure, I would like to introduce to you Mrs. Emma Carter, who is a resident of west Dallas, Tex.

Mr. CONYERS. Welcome, Mrs. Carter.

Mrs. CARTER. How the effects of inflation impacts the poor in our locality.

The income of low and middle income people is not increasing at the same rate as the rising cost of living. This has caused the lifestyle and living patterns of people to change.

High food costs have resulted with the type of food purchased and the ways of preparation being changed. Utility costs are not always met by the low-income people. Consumers are faced with notices of service interruption or discontinuance.

Low cost housing is being sought. For persons who own their own homes, the cost for maintenance and upkeep and repairs presents a difficulty. Materials and/or labor for the necessary home improvements is at an all-time high.

More persons are now relying upon public transportation and car pooling to help cut fuel costs. But there is an increase in the fare on public transportation and with limited or low-income people this is a strain on the purse of the minimal income person.

Overall, the inflation of today's economy has caused a burden upon the poor.

Hospital insurance for the elderly has increased. Interest rates are keeping from buying homes. Rent has increased for low-income people residing in public housing projects, but the incomes have not increased.

The effects of inflation on the community action programs has caused a decrease in services being supplied to the community. Staff members are being cut; therefore, causing additional difficulty in our community and adding to the rosters of the poor.

The rise in utility costs has reduced the budget for program services. The crisis intervention programs through the Community Action Agencies don't have enough money to help all of those in need of help. And when they can help the low-income elderly with utility bills, the money is so late in reaching the CAA that it lays an even bigger burden on the low-income person.

Why send CAA's money to pay winter utility bills after the winter is over? Why not send the funds to the CAA before the winter so that the bills can be paid as they are created? This would help poor people. Money received in May to pay last winter's utility bills works a hardship on all of us, and the CAA, too. Send the money in May to pay for the coming winter's bills.

Where resources have been previously donated, they can no longer be acquired or are very limited due to inflation. Budgets are limited because of the rising cost of utilities, supplies and equipment necessary for program operations.

The poor are suffering due to inflation and the programs designed to relieve the poor are suffering, too. Everything is up except income.

How are we to survive?

Mr. CONYERS. That is a good statement, Mrs. Carter.

Is there anyone here from CAP, from the community action program?

Ms. ROSS. We all are.

Mr. FLOYD. We all are.

Mr. CONYERS. No, I am talking about the people who are in a different position in terms of explaining why this money comes so late. Is there anybody here that works or is connected with CAP?

Mr. ANDERSON. I think we ought to be asking you, the Congressmen, why you are sending it to us so late.

Mr. CONYERS. Well, before I can answer that, I just found out it was coming late about 2-minutes ago. Now, who is in charge of CAP that handles this? I mean, who is in charge of CAP here, anywhere in Texas?

Ms. ROSS. We are not. We receive our funds from the regional office, and they in turn receive it from Washington.

Mr. CONYERS. I understand that. I am just asking you who is in charge.

Mr. FLOYD. For our region here?

Mr. CONYERS. Yes.

Ms. ROSS. Ben Haney.

Mr. FLOYD. Ben Haney is the regional director.

Ms. ROSS. But he is not here.

Mr. CONYERS. What is the reason that is given to you for it coming late?

Mr. ANDERSON. The people at the regional office can't get it to us any quicker than they are getting it—

Mr. FLOYD. Get it from Washington—

Ms. ROSS. It comes from Washington.

Mr. ANDERSON [continuing]. Send it any quicker to the national office and the CSA office cannot send it any quicker to Dallas than they get it from Congress, appropriate the money. You know, it's as simple as that, if I understand it clearly.

Mr. CONYERS. So you are saying that it is just the money is appropriated late and it gets to you late?

Ms. ROSS. Yes.

Mr. CONYERS. Hold it. I have got to get names now. The court reporter is going to have a hard time.

Let me go back and get your name, sir.

Mr. ANDERSON. My name is Robert Anderson. I am not from Texas. I am from Oklahoma City, with the CAP program there. This is a major problem with the timing of the money.

Mr. CONYERS. All right, thank you.

Now, you, sir.

Mr. DORSEY. I am Thurman Dorsey, CAP Director in Waco, Tex.

A part of it, along with the late appropriations and the regulations connected with the implementation of it.

We get notification in the Federal Register somewhere in February. It is dated back in January. The program was supposed to be effective in January, and we get a notification in February that the program is passed, and that type of thing. So several months have already passed before we get notification of it or even the appropriation and the funneling of money.

Mr. CONYERS. Has anybody ever talked to their Congressman or Senators about this?

Ms. ROSS. Yes.

Mr. CONYERS. Before the two hapless, friendly, benign, supportive gentlemen that you are confronting now happened to come to Dallas, Tex.?

Ms. ROSS. Yes, we have.

Mr. FLOYD. Yes, sir.

Mr. CONYERS. What is the response for the record?

Mr. FLOYD. The response is simply this. It is a political issue. In Texas—

Mr. CONYERS. Everything we handle is a political issue.

Mr. FLOYD. Well, I want to give you—not necessarily a political answer, I want to give you one to adjust the problem as we know it.

Obviously we must be speculating about the reason for the answers they give us, but nevertheless—

Mr. CONYERS. What answers do they give, first of all?

Mr. FLOYD. The answers are evasive in most instances. They will tell you that, "Yes, I am in support of such and such a thing," but when you get the Register of how they vote up there, their vote cast tells you something else.

You know, it's one of those things that when you are at home and one man, one vote; when they come home, they have got to rally votes, and they are going to tell those people who are expected to go to the polls what they want them to hear, but in the Community Action world, we have learned to monitor the way they vote on the Hill and to hold them accountable at the polling place.

Mr. CONYERS. Who else wants to talk about it?

Ms. ROSS. I would like to speak to that. I am June Ross, executive CAP director from Galveston, Tex.

Mr. Floyd does speak truthfully when he says the political entity enters into it. For instance, I have talked with my Congressman concerning this, who is Jack Brooks, and his answer to me, "June, it's coming down I don't know when it is going to get to you, but it is coming down."

The first allocation of money for Crisis Intervention was some \$200 million throughout the State—I mean, throughout the Nation. I'm sure you can appreciate there was a quandry as to how this money is going to be distributed, who is going to distribute it, will it come through the State, will the State give it directly to the Community Action agencies, will we deal with gas companies, will we deal with light companies, what will be the parameters, what will be the guidelines?

It sounds very simple and very harmless, but when you have 30 days—you get it approximately on April 25, and it must all be obligated by May 30. That's not funny.

These are some of the restrictions that have hampered us in this operation of it. The first allocation of money came at a time when anybody would know that it was a political expedient, that's all it was. We were told to move that money as fast as possible and get it out there to those people, "and we don't care how you do it."

Mr. CONYERS. When did it come?

Ms. ROSS. It came to us in April and when we had restrictions on it because the State was unsure as to how the money should be moved.

Mr. CONYERS. That was last year?

Ms. ROSS. Right. The first crisis allocation money we got was in 1977, and the question was, with no administrative costs whatsoever, we were to move this program throughout the community.

Further than that, the State put a stipulation on us which said that even if administrative funds became available, you will sign a waiver saying you don't even want it.

I personally called Jack Brooks' office and he had the waiver lifted which permitted us to get into contract with the State.

Now following that—

Mr. CONYERS. He was helpful in that?

Ms. ROSS. He was very helpful. Following that, we had to go through the mechanics of introducing such an innovative program to our utility deliverers, and you try to explain to utility companies that we are going to pay utility bills for senior citizens and we must have your records. Try it.

You sign contracts, you have a workshop, they do it, but they are very slow because they are not very trustful of Government money. They wanted the money as soon as the bills were paid or written off.

They have computer systems and we are running into this problem right now. They don't want to write off a bill that is being paid until they get the money in hand because the computer can't handle it. These are some mechanical problems that we are dealing with.

But again, we get the money in May to deal with last winter's bills.

Mr. CONYERS. Now, that comes through CSA?

Ms. ROSS. Right.

Mr. FLOYD. Indeed, it does.

Mr. CONYERS. Have there ever been hearings in the area by congressional committees that have oversight of CSA?

Ms. ROSS. Yes, sir, they have had some. They had a case just not too long ago right up there in Washington, and then there is the conflict, does DOE want the money or does DOE want CSA to have the money? Who is going to have the money? So these things are known in Washington.

Mr. CONYERS. Yes, sir.

Mr. ANDERSON. I think we can come back to another point. Last year, in 1978, we received the authorization to spend—in other words, pay low-income residents' fuel bills beginning April 1. At that time you were supposed to expend it by April 30. It's obvious that we didn't have the money so we weren't going to spend it by April 30.

So they extended the date to May 20, but in the Congress—I guess this is a political football up there, but the fuel payment moneys was tied in with the B-1 bomber. There wasn't anything compatible about the B-1 bomber and poor people suffering from high-utility costs.

Mr. CONYERS. Well, I could give you more detail than you would care to hear about some of the decisions I have to make in that regard. I just made one yesterday about two Iranian vessels and counter-cyclical funds ties together.

Ms. ROSS. I would like to say further on this idea that we had from our State community action agency's organization. Crisis Interven-

tion money, SKIP, EAT—we have acronyms for them, and it sounds like you are sick sometimes—but all the money ultimately goes to the utility companies within the given area, and we would like to very modestly propose consideration by the utility companies and by the Government that they be given a tax incentive for an over-the-board or prorated bill for senior citizens for their utility services.

Everybody is reading in the papers today and full of information about tax incentives for oil companies and other services, the farmers and their subsidies, everybody is getting subsidized. So if the utility bills are mounting daily, daily, daily, the Government is in the business of helping us pay the bills, but we are still back where we started from. I would consider it something very useful for all senior citizens if we could enter into dialog with the assistance of the Government in getting a tax incentive for utility companies so that senior citizens meeting certain guidelines, that is, age, income, would have a prorated bill, period. That would be it, winter and summer, 12 months a year.

Mr. CONYERS. Why don't we work it out minus the tax incentive? Why do we have to pay them something extra—

Ms. Ross. Because everybody else is getting paid, why shouldn't they? I don't agree with it, but they are.

Mr. CONYERS. How about just stopping everybody else since we are speaking about how we would like the Government—

Ms. Ross. I would like to be realistic. I mean, you know, every other industry and business is getting a tax write-off or tax incentive, and if you are dealing on that basis, but nobody has mentioned yet about utility companies.

Well, you see, here is the thing. We in Community Action Agencies have more information on utility bills in the State of Texas—I can't speak for other States, but in the State of Texas than any other organization or agency, because this is what we have done.

Now, we could say, without equivocaton, just how much money it would mean for utility companies to set a prorated average for senior citizens' utility bills. We could say within a certain degree of definity just how much it is going to cost a company.

So if we are not talking about \$50 billion, because we aren't talking about \$50 billion, but if we brought this within the realm of acceptance and only senior citizens meeting these guidelines, and I would propose a rough figure they would probably drop \$20, 12 months a year for your gas bill and your light bill, that would mean a wonderful thing for senior citizens. Because, again, as I said, we suffer from the heat, as well as the cold.

Mr. CONYERS. Well, that's an excellent suggestion.

Mrs. Carter and then Mr. Floyd.

Mrs. CARTER. I want to elaborate on this.

We often have the Dallas Power & Light Co. out to tell us how to conserve energy, and the day senior citizens get their social security checks or other checks that come in, well, maybe today the light bill is due and they lose that discount. So they had me to call the company and ask how could they pay the bills in order not to lose that discount every time they got a check.

They suggested to me, they offered to come out and talk to the senior citizens, but they suggested to me to put the bill on a flat rate and pay \$30 a year—I mean, a month, just \$30. Well, it would have been too much.

Mr. CONYERS. Could you afford to do that?

Mrs. CARTER. No, I couldn't. I knew immediately that I couldn't afford to do it so I told them, "Forget it."

I have this—this past summer, I had a \$55 light bill. Well, this month I had an \$8 light bill. See, why would I put it on a flat rate and pay \$30 each month when they were making more off of me than they needed to? So I don't know, they will figure how to get their money, I don't care what you ask them.

Mr. WILLIAMS. I have a question. What is the State of Texas doing about this problem?

Ms. ROSS. Which problem?

Mr. WILLIAMS. The one that we are talking about, your agency's involvement in the problem, are they giving you any financial support, the State?

Ms. ROSS. No.

Mr. WILLIAMS. It's totally Federal?

Ms. ROSS. Yes.

Mr. FLOYD. That's right.

Mr. WILLIAMS. No local participation?

Ms. ROSS. We have local participation.

Mr. WILLIAMS. In what form?

Ms. ROSS. It's very limited, the city governments, county governments are strapped.

Mr. WILLIAMS. They give you a building to operate in and they give you—

Ms. ROSS. Maybe. They are looking to us now because they are feeling the pinch. This again has us a bit skeptical and a bit worried.

Mr. WILLIAMS. Not one dollar from the local or—

Ms. ROSS. No.

Mr. FLOYD. What I wanted to add was, you see, the utility companies don't treat senior citizens or those on otherwise fixed incomes any differently when it comes cut-off time than they do anyone else. We happen to know in the Community Action Agency world what the poor is paying per kilowatt hour as opposed to what big business is paying per kilowatt hour.

Mr. CONYERS. So everybody knows that they are paying less.

Mr. FLOYD. Everybody knows, but they don't get any relief when it comes time—the guy goes out with the wrench and he cuts their utilities off. You know, the poor is helpless at that point.

The Utility Commission, as they deal with the Senate down at the State house, obviously everybody knows that the persons, the entities that has the most money to have the biggest lobby down in the State house are the people that oftentimes—not in every case—but oftentimes get the consideration.

We are talking about some kind of home based kind of help since we are already getting moneys into—example, this year, last week we received in Dallas County Community Action Agency an allocation of moneys for the energy program to be allocated by May 30. We have a lot of people out there that we don't know who they are.

We have got to outreach them, intake them, find out who they are, certify their eligibility. We have got to go through the fuel providers and find out who had a bill last year. We are talking about last winter

Mr. CONYERS. What does the program attempt to accomplish?

Mr. FLOYD. The program is trying to keep senior citizens from dying of heat in the summer and the cold in the winter, paying those utility bills because of the effects of the drastic winter last year.

Now, that is what was being referred to a little bit ago. If we could plan ahead and do some projection on how many there are with that kind of need in the county and the CSA, or whomever, if it is the Department of Energy, provides the money this spring, give us some planning time to get into the program next year and pay as we go in the winter, then we would have a whole lot less problems.

Mr. CONYERS. We read that loud and clear, and we are going to try to get this part of our testimony hooked up with the appropriate subcommittee in Congress that can really do something about it.

I would like to recognize Ms. Ross and then the gentleman on this end. Will you tell me your name again?

Mr. DORSEY. Thurman Dorsey.

Mr. CONYERS. We are in the windup stage now, so include all the recommendations you would want to go into this record so when the rest of our colleagues in the Congress and the Senate read it, they will know that we have been here to Dallas.

Ms. ROSS. Mr. Conyers, I would like to state that we have worked very closely with the utility companies in our local areas, and I would not have the record not show that they are sensitive on the lower echelon level to these concerns.

Now, the president of the company might not understand the concerns, but the usual operator of that branch office has worked with us.

We have had public meetings, trying to find out some of the problems. It is interesting to note that some of the meters have never been read, the bills had been just constantly used from time to time. We had a meeting which turned into an actual confrontation in Galveston because the senior citizen said:

My meter reading—the valve is all overgrown with grass. You have never even read it and with the vines all over the meter, so how could you say my bill is thus and so?

On the lower level the utility companies have been most willing to work with us and try to prevent cutoffs where possible and, as Mrs. Carter has said, to work out some sort of prorated scale. I feel that it is a good climate, and if we had some support on a higher level with you gentlemen, perhaps we could work this particular end out.

We would like to know that our increments are being hooked up onto other bills, things that we do get increases in for us as Community Action agencies are piggybacked and sometimes we suffer from the piggybacking. I'm sure that's a good old Washington practice.

Mr. WILLIAMS. I'm sure we all do.

Ms. ROSS. We thought we would register that complaint, too, because you mentioned it.

Thank you, gentlemen.

Mr. CONYERS. Yes, ma'am.

Ms. HARDY. I would like to add one thing—

Mr. CONYERS. State your name again.

Ms. HARDY. My name is Allene Hardy. I have been up there once before.

Mr. CONYERS. I know, but the reporter can't remember all the names, and I must admit I can't either.

Ms. HARDY. My name is Allene Hardy, and I would like to add about the cutoff. Now, they cut off these bills for the low income in the evening, after 5 p.m. Now, they go around later in the evening cutting off these people's gas bill.

Now, what we have done, we have a little neighborhood group. Now, we have gone out and the men who have cut wood from the fallen ice storm and have really built fires for these people. But something needs to be done with the gas companies to keep them from cutting off the people's fuels. Sometimes there are children——

Mr. CONYERS. In Dallas or beyond Dallas?

Ms. HARDY. This is Dallas. This is on Thomas Avenue, on Ruth, this area. Now, we have seen that because we have an intercity coalition and the men go out on their own and saw these fallen branches. In cases they have really built fires, they had to, and sometimes they may only fire one house that has a flue and they ask other families to come over there and warm.

Now, something needs to be done to keep the people from coming out after 5 p.m. and cutting off these people's gas. Because if we could get it before 5 p.m., we could call Dallas Community Action, sometimes call there and get it not cut off. But after 5 p.m., they are closed, they go around and they cut it off. This is very, very devastating.

Mr. CONYERS. Is that deliberate on their part, that they wait until after 5 p.m.?

Ms. HARDY. They are out there, and we have observed this over and over again. So we need to do something about that. They have not—— they do it constantly in this area.

Then when they cut them off, you have got to get big money to have it turned back on.

Ms. ROSS. At once.

Ms. HARDY. See, you do not have any deposit. Over a year's time they send it back to whoever. Then you have to pay \$50 and up, and it takes 3 to 4 to 5 days to get it back on. These are probably real—we have seen them all this winter, out there seeing it.

Now, with the gas cut off, OK, nothing. You have to raise that money and sometimes the Salvation Army gives it to us and sometimes our intake workers can't get it for us, we have got to raise the money to pay this big deposit and then wait 3 to 5 days to get it turned on.

Now, this is a very serious problem and it needs to be addressed because this is the first year I have worked there, in my little group, intercity coalition. We happened to see it and we worked on it.

Mr. CONYERS. We thank you, and keep up the good work.

Mr. WILLIAMS. I would like to ask: How did the President's voluntary anti-inflation program help your situation?

Ms. ROSS. Not at all.

Mr. DORSEY. It has not.

Mr. WILLIAMS. Your suggestion was that the answer to your particular problem would be legislation moving through more quickly, appropriations moving through more quickly.

What do you suggest—this is one final question. What do you suggest we do about controlling the prices? You said this program is not working. What would you suggest, mandatory controls, voluntary controls? Does anybody have an opinion?

Ms. ROSS. Mandatory controls I would recommend.

Mr. FLOYD. Voluntary control is not working as we see it presently. So then if voluntary controls aren't working, that means that something else has to be in its place.

Mr. PACO. I am Mike Paco from El Paso, Tex. I definitely think that mandatory controls is the only way out.

Mr. WILLIAMS. Just to follow that a little further, we had testimony here this morning and at previous hearings that it appears that wages are in fact mandatorily controlled. Do you agree with that? Do you agree that pricing is still somewhat uncontrolled?

Mr. PACO. Definitely so.

Mr. CONYERS. Mr. Dorsey, do you have a comment?

Mr. DORSEY. Thurman Dorsey. I have two comments.

One, I would like to elaborate a little further on this cutoff bit in connection with some of the assistance programs that we have had to assist elderly people with. In McClellan County we have experienced the fact after we have informed the utility companies that certain individuals are eligible and the pay that will be forthcoming, that they then go out and cut off because this particular program has a clause in it which allowed for the payment of a reconnect fee. See what I mean? I would just like to add that.

In addition to this late receiving of funds with a short period of time to implement, 30 days or 45 at maximum, Community Action agencies, as well as anybody else, but we try to be very accountable for the Federal dollars and manage it in a fashion, but we cannot expend that money until the Government has signed off on it. He has got 30 days to sign off on it.

So, you see, the dilemma there, we have got 45 days' notice from time of receipt of funds and implementation and then have got to wait for the Government to sign off if we commit it. Prior to that time then we can be liable for it.

Mrs. CARTER. In my neighborhood they will knock at your door and notify you that they are fixing to cut utilities off, and if you have the money, or if you can borrow it, they will give you a receipt for it and leave your utilities on. A lot of times we are able to lend somebody some money to save them from having to put up that huge deposit again, you know, to get the utilities turned on, and we are very grateful for that.

Mr. CONYERS. Well, I am very pleased that you could come before the subcommittee. This is very important. When this is read in the Congress, many Members who can help us alleviate some of these problems of timing and getting the allocations earlier, I think will be much more moved to do that when they have read what you have said to us here today.

We are very grateful, and I am sure a lot of other people who are not here who are in the same fix will be, too. Thanks so much for coming.

We will take a 5-minute recess. [Recess taken.]

Mr. CONYERS. The subcommittee will come to order.

Our next witness is Mr. John Hayes of the American Association of Retired Persons, Dallas chapter.

Welcome before the subcommittee. You may proceed in your own way.

**STATEMENT OF JOHN HAYES, AMERICAN ASSOCIATION OF
RETIRED PERSONS, DALLAS CHAPTER**

Mr. HAYES. Thank you very much, Chairman Rosenthal and Congressman Conyers; is that correct?

Mr. CONYERS. Yes.

Mr. HAYES. And Congressman Williams.

First, let me welcome you to Texas, and especially our city. We are very proud that you are here in our city, and being a civic-minded person, I'm proud that you are here and also to put up with me.

I have had a letter that I received, to Metro Dallas Presidents and Legislative Chairmen. I served as president of the Dallas Lovers Lane Chapter of the American Association of Retired Persons, and we have 320 members.

The contents of the communication: Congressman Ben Rosenthal, of New York, Chairman of House Subcommittee on Commerce, Consumer and Monetary Affairs, will hold a hearing on the President's Program on Inflation on May 3 at 9:30 a.m.—and I can understand why we had to wait, because of your traveling and essential business of voting last night. Mr. Peter Hughes, head of our legislative department, has authorized our encouraging our members to appear and testify. Could you please "spread the word" and ask people to let us know if they plan to attend and speak.

[The letter referred to follows:]

AMERICAN ASSOCIATION OF RETIRED PERSONS,
Dallas, Tex., April 26, 1979.

Memorandum to: Metro Dallas AARP presidents and legislative chairmen.
From: Bob Miller, ASD.

Congressman Ben Rosenthal of New York, Chairman of House Subcommittee on Commerce, Consumer and Monetary Affairs, will hold a Hearing on the President's Program on Inflation on May 3 at 9:30 am in Room 7A23, Federal Building, 1100 Commerce Street. Congressman Rosenthal would like statements from older citizens about the impact of inflation on their lives.

Mr. Peter Hughes, Head of our Legislative Department, has authorized our encouraging our members to appear and testify. Could you please "spread the word" and ask people to let us know if they plan to attend and speak.

Phone numbers: Bob Miller----- 341-2622
AARP Area VII Office----- 369-9206

ROBERT F. MILLER,
Assistant State Director—Texas (Metropolitan Dallas).

Mr. HAYES. I presented this communication before our meeting last night and told them at their will and pleasure, if it was agreeable, that I would be here. So, I am here to say that as a senior citizen and being one that has quite a bit of experience during hard times of the depression and also during World War II, and in our present condition that I find myself, being 70 years of age, and being a little better off than a lot of people at my age, but due to hardships that I have suffered and some training of having a degree from the College of Knowledge, which is a worldwide organization, a college that anybody can participate in.

During the depression we had people in this city and all over the Nation that were faced with the problem as serious or more serious than this inflation, but we have survived through the will of God and good old American intestinal fortitude, and by having a good Govern-

ment. I think that the late President, Franklin Delano Roosevelt, who was a great man, in my opinion, because he sort of made things equal, of giving food in breadlines to people whether they were a millionaire or what, we were all without any monetary, and we slept and worked closer together and rubbed shoulders with the millionaires who were wiped out.

Now, this inflation has taken a deep toll on our standard of the best government in the world. I know you people get blamed for a whole lot and you shouldn't be blamed for it. There is a lot of people that they don't understand, no one has been able to reach them, about the monetary program that it requires to run a good government. So I do know that we have a problem, and that is what we are here for, representing these people, to try to offer some suggestions to you that might help, that you can take back to your colleagues.

Now, I know that we have a good city and I am proud of it and I think that it was demonstrated here in some of the reports, we have a hospital paid for by the taxpayers that doesn't turn down anyone, whether they get money or grants, they don't turn down anyone from our county emergency hospital out there. They come pick you up and they send you a bill, and if you can't pay it, they don't go down to your next employer and tell him not to give you a job or they don't harass you too much, but they try to get it.

So we do have good city government. As far as I am concerned, we have good county government, and I think we have good State government. I don't agree with everybody that gets elected because there is some people of another party that I don't vote for, but that's beside the point. What I am here for is to give you some information that will be helpful.

Now, taking my own self, I was paying \$3.50 for a haircut; we moved and it went up 50 cents. I could have drove back over there, but it would cost more money. Anyhow, the fellow that cut my hair, why, he wanted to be a barber and I worked with him and used to practice on my hair to learn to be a barber. Well, he charges me \$4 now, but that is 50 cents more for a haircut. His prices are more than \$4.

I belong to a lodge, voted against it, but they increased my lodge dues \$15. That \$15 is coming out of my little income, and I'm glad that the Government can give me a social security increase.

I am a 10-percent disability veteran from World War II in the Marine Corps out in the South Pacific. I want to help the country, if I can, like I did when I volunteered for the Marine Corps.

So I say that we are going to have to do something and that's one good thing about this committee. I hope that they send other committees out, if this job gets too big for you, because it is a tremendous job to get all of it. Everybody is going to have to start changing their ways from a financial standpoint.

Maybe the millionaire, and I believe in free enterprise as long as it is made honest, and I believe in organized labor. I occupy the position from a civic standpoint that the gentleman was here. I think he is getting \$28,000 a year, at least I read it in the paper. I used to do it for \$15 a week, and I think I was doing a better job, but that's beside the point.

I say that I know labor, I know human beings, and I know the condition that this country is in and that we have got to do something or another about it. Now, we have to start someplace.

Mr. CONYERS. Have you ever had any opinions about the wage/price guidelines?

Mr. HAYES. Yes, I feel like I am capable of speaking on my past experience as a working person and as a leader in the labor movement, and I am not here to make labor a whipping boy, but I know that if we are going to have any kind of control, you are going to have to work out something to where that there is no increases for everybody.

Mr. CONYERS. Would you want to control the prices and the wages or just prices or just wages?

Mr. HAYES. Well, the prices and the wages are going to have to work there together. Now, I know that during the depression that the utility people were as fair as they could be, and I have personal experience, that the telephone company here in Dallas told me during the depression, said, "If your telephone will help you get a job, we would rather leave it on. It is cheaper, and we will take a chance of you paying us."

Now, I don't think the utilities or the oil companies or any corporation ought to be made a whipping boy.

We have a good country on free enterprise, but there comes a time when you have got to draw the string around everybody, which includes our Government. Now, if we can, I offer this as a suggestion; if we can freeze what you are giving away now—I call it a giveaway or either a substance [sic] or dole or whatever—if you can freeze what you are doing and not increase it, but don't let anybody starve or suffer from medical, but all of these people that are receiving it don't need all of that medical attention. They are not going to starve, but those that can't get out and don't have any help, you may have to deviate and I think you should, to give them, but to hold what we are doing now and don't increase it.

I'm not mad because you are getting a salary up there, but you are working for it. The people think you are doing a good job, and we have got good Congressmen from Texas. I think I know most of them, but what we need to do is to take some action, and you can't do it overnight, but you must be the leaders, and that's where it has got to come from.

Mr. CONYERS. Do you think that the voluntary wage/price guidelines are working?

Mr. HAYES. It is not going to be effective, it may be over here, but we have got 50 States. It may be effective over here in Alabama, or it may be effective in north Dallas, but over here in east Dallas, well, it's not going to do any good, in my opinion. I don't say I'm right, but I think I'm right.

Mr. ROSENTHAL. Thank you very, very much, Mr. Hayes. That was a very, very moving statement, highly personalized and very significant. That kind of statement makes this kind of trip worthwhile.

Mr. HAYES. Good, Come back.

Mr. ROSENTHAL. Not if the weather is going to be like this. Did you ever land in a tornado?

Mr. HAYES. Say, listen, we have had tornadoes here that you could bottle up and take someplace else and sell them.

Mr. ROSENTHAL. Thanks very much.

Ms. WRITTENHOUSE. Am I empowered to make a statement?

Mr. ROSENTHAL. Well, sure. You are empowered to do anything.

**STATEMENT OF FRANCES WRITTENHOUSE, MEMBER, AARP
CHAPTER, DALLAS, TEX.**

Ms. WRITTENHOUSE. My name is Frances Writtenhouse. I am a member of the largest AARP chapter in Dallas, and am president at the present time.

I think, if I may say so, that we are perhaps addressing ourselves improperly to ourselves rather than to a national matter. Somehow or other we have gotten the idea that the Government is the new parent and the only religion and that Congress is going to lead us into a promised land, and anytime the Government promises you the promised land, you have been had. I maintain that that is when you should run for the hills, and I am quoting many people.

The point on the whole thing is that the elderly of my particular group are somewhat in the nature of the queens who are running like mad in order to stay in the same place. We have so much, for that amount when rents go up, we move to smaller places. We are still paying the same amount.

Mr. CONYERS. Has that been happening—

Ms. WRITTENHOUSE. Oh, my word, I have moved three times in 3 years, four times in 4 years, and it is not unusual.

Mr. CONYERS. Have many other people—

Ms. WRITTENHOUSE. Oh, yes, this is par for the course, as the saying goes.

You move into smaller apartments which may be two rooms or three or so much less space than the other, and so forth. This is par for the course.

You change your food habits, you change your purchasing habits, you change your clothing habits. You change everything. Now, when you are moving, after you get to one room, where do you go? You are the new poor. This is the thing that concerns me now.

We are doing it our way, labor is doing it another way. They are running to keep in the same place by asking for higher wages. They are trying to maintain their standard of living with higher wages. We are withdrawing from charitable contributions, we are withdrawing from that which has been our way all this time.

Mr. CONYERS. That has a traumatic effect on a lot of people, doesn't it?

Ms. WRITTENHOUSE. It scares the living daylights out of you, if you really want to know.

Now, the point on that is that we lay it to many things. Of course, we lay it to big government. The thing that I think scared all of us is the fact that on April 1, the Government had to issue paper money in order to pay its bad debts. All of us wonder, what from there? The Government money is bad. Where are we?

Mr. CONYERS. Well, that's the one assurance I can bring you from Washington, that the Government money is still good.

Ms. WRITTENHOUSE. To some extent; yes.

Let me quote something to you here: 148 New York hospitals, 25 percent of total hospital costs are traceable to State and Federal regulations. Fifteen million man-hours must be devoted each year to regulatory compliance which is the equivalent of having 56,000 employees working full time in the matter. The total cost of such regulation is in

excess of \$1.1 billion a year. Where does it come from? More money printed. How else?

Mr. CONYERS. That's the way the Federal Reserve Board has always regulated the supply of money in the United States.

Ms. WRITTENHOUSE. Quite true. There are many ways—is tight money good? As far as I am concerned, tight money is probably the only answer because they are talking at the moment, my particular group voted 14 to 1 against national health insurance as long as we can pay. Nobody is empowered to pay for the type of crisis hospitalization that can occur, they never did.

It is only that today we expect the Government to be the Great White Father to take over for us. Sure, we were all impoverished by this sort of thing. Of course, we didn't live that long either. To me, and I speak only as an individual and not as anything else, my feeling is that wage and price controls have never worked. I see no reason to think that it would work this time. It doesn't work on a volunteer basis, it doesn't work on a mandatory basis.

I think the Government is going to have to take itself in check, and we are going to have to take ourselves in check, establish a sound financial policy which will not include raising the debt limit and printing money to cover the matter. All of us, particularly those of the young, who are expecting to have pie in the sky are going to have to take another hard, long look.

I went through the depression, I'm glad it happened to me. It was the best thing that ever happened to the country, as a matter of fact, because all of a sudden everyone had to take a long look at what was important and how to survive and the proper way to survive.

I would rather see a depression with the money still good than inflation with the money destroyed.

Mr. ROSENTHAL. Well, both are very, very obnoxious choices.

Ms. WRITTENHOUSE. That is what I would call—this is a no-win proposition, if I may say so. I have opened by great big mouth. I am not accustomed to shaking like a leaf.

Mr. ROSENTHAL. We are very delighted you could come out and particularly taking into account the horrible weather.

Our next witness is Scott Holladay, Association of Community Organizations for Reform Now.

It is nice to have you.

STATEMENT OF SCOTT HOLLADAY, ASSOCIATION OF COMMUNITY ORGANIZATIONS FOR REFORM NOW

Mr. HOLLADAY. It is good to be here.

I'm sorry that my testimony isn't as well prepared as I would like. We have been working sort of overtime trying to pass a generic drug bill here in Texas to help Texas consumers save on their prescription drug prices.

I would like to start off by making a few remarks about our experiences in working on that bill.

We found that prescription drug prices had gone up 12 percent in the last quarter of 1978. That gives you an idea of the problem we have. The generic drug legislation offered an opportunity to the State legislature to help Texas consumers to save quite a bit of money on

prescription medicines that people have to use and also to save money for the State through medicare and medicaid, but what we have found is a really stubborn resistance on the part of both the legislature and some of the other groups to making this badly needed change.

Not only have the doctors and the large pharmaceutical manufacturers opposed generic drug legislation, but a lot of legislators have cooperated with them by not supporting this.

We have also found, really surprisingly, that some of the businesses who naturally should have an interest in holding down prescription costs haven't really shown any leadership or taken an active role in working on this proposition.

Mr. ROSENTHAL. What kind of businesses are those?

Mr. HOLLADAY. The insurance companies, the health insurers haven't done anything on the issue. We feel like if they are going to be asking for increases in their insurance rates, they need to show some commitment to holding down health care costs and they should be backing this. We have taken some action to try to embarrass them into cooperating, but so far we haven't gotten any results.

We also had to push the chain drug stores to take a position on this, and we did get Eckerd's and Walgreen's to support the generic drug bill. The other chains haven't.

So I think you can see that it is a little difficult for ACORN members to be sympathetic to the problems of large corporations when we read about their record profits and when they are so uncooperative in working with consumers to try to hold down costs.

Mr. ROSENTHAL. What is your association, by the way?

Mr. HOLLADAY. ACORN is a grassroots organization of low- and moderate-income citizens. We are organized now in 16 different States and we organize at the neighborhood level, organizing neighborhood community groups that are affiliated with ACORN, and that participate at the neighborhood level, working to improve the neighborhoods; the city and State level working together on also other kinds of neighborhood improvement projects, and on a lot of economic issues like working for lower and more fair utility rates and better health care.

Mr. ROSENTHAL. What kind of community participation do you have here in Dallas?

Mr. HOLLADAY. We have about 1,600 member families and, let's see, about 20 different neighborhoods. Let's see, the different groups are working on a wide variety of neighborhood improvement problems as well as things like fighting for lower utility rates, neighborhood health care clinics, and State-wide concerns like the generic drug bill.

As I have mentioned, ACORN has been active ever since we have been organized working on a lot of problems that do relate to inflation, like working for fair and lower and more equitable utility rates. Here in Texas we have been somewhat successful in that regard, but it has been really hard for consumers to muster the influence to come take on the big utility companies.

We have been successful in getting lifeline telephone rates adopted and getting some changes and cuts in telephone rate increases. We have so far been unsuccessful in getting lifeline electric rates, which we feel would be very helpful from an environmental and economic point of view.

Mr. ROSENTHAL. Have you done any studies on the impact of inflation on your community people, or anything like that?

Mr. HOLLADAY. We haven't done any studies directly like that. I think most of our members, it's obvious from their interests in issues like utility rates and different health care issues, people really do have vital concern and people are willing to get out and protest and work for things like lifeline telephone rates which would save people only a few dollars a month, but that is really important to a lot of our members who have incomes, Social Security, and, you know, really limited in their income.

Mr. CONYERS. Have you had an opportunity, Mr. Holladay, to reflect out of your concern on the larger dimensions of this question?

Mr. HOLLADAY. Yes, I was going to proceed to that.

Now, I would like to explain next some of the action that ACORN has taken specifically in regard to the issue of inflation, the broader issue, and then also discuss some criticisms that we have of the current anti-inflation programs, if that's all right.

Mr. ROSENTHAL. Go ahead.

Mr. HOLLADAY. ACORN began in January with an anti-inflation effort of our own. We felt that President Carter was going to need some help, and we felt like if he thought he could hold down inflation by jawboning and embarrassing the big corporations, who could help him better than ACORN? We thought that that was really what we were good at.

Mr. CONYERS. So you felt that you were in good faith and he was in good faith?

Mr. HOLLADAY. Well, we were a little skeptical about his ability to control inflation that way, but we figured "what the heck? We will give it a try, and he is going to need some help."

So we started off by doing a mailing to all of the major corporations in our cities and states where we were working whose products and services were in the area of basic services, housing, health care, food, gasoline, utility companies. We did ignore some of the companies, like, for instance, here in the Dallas area, Bell Helicopter is one of the major industries, and it has been a long time since any ACORN member has bought a helicopter, so we didn't really feel like they were deserving of our attention.

Now, we really didn't get much response at all from any of the companies. We asked them to sign a pledge to comply with President Carter's guidelines and that, you know, if they didn't respond we would assume that they weren't interested and weren't cooperating. When we didn't hear from them, we did take some action against some of the companies.

Mr. CONYERS. Did you draw any conclusion from their inaction? After all, you said that if they didn't respond you would have to infer that maybe they weren't too interested.

Mr. HOLLADAY. That was the conclusion that we did draw. In Texas and Louisiana we focused first on Shell Oil Company, and ACORN members in other cities visited regional offices, and we really didn't get a lot of cooperation from them.

But we did feel like we were helping President Carter by trying to expose their lack of cooperation and their high profits and rising

prices. We followed that up by trying to put a little more pressure on them by doing actions at a number of neighborhood gas stations, Shell Oil gas stations, in an effort to put a little more pressure on them to comply and to let them know that we weren't going to give up on them quite so easily.

We did have—this wasn't as successful as we might have hoped, but we were able to get some of the station operators to put calls into the company, and I think that, you know, they got the message one way or another.

Our next effort was focused on chain grocers. We found that there was really a high rate of inflation, a high rate—high increase in profits from one year—in the past year for chain grocers. So we felt like that was a really sort of basic thing for ACORN members. So we also took action here in Texas, we focused our attentions on Safeway and also I think it was Rosengarten in Houston.

Now, the chain Houston did—the president of the chain did agree to sign our pledge and did take that action. We were less successful here with Safeway and really didn't get too far.

Now, one of the other goals of our inflation campaign, I think we really didn't expect to stop inflation by protesting and applying direct action. I think we did hope to make the public a little more aware of what we perceived to be a big part of the problem, which was the reluctance of the corporations to cooperate, and even with the guidelines being as loose as they are. I think we hoped to point out the high profits that they were making and their unwillingness really to cooperate.

We also hoped, too, through our different actions, we hoped to pressure Alfred Kahn to meet with ACORN so we could discuss our ideas with him. Now, each time we took an action in each city we sent a Mailgram to Kahn informing him how we were helping in the anti-inflation effort.

Mr. CONYERS. What would you tell him?

Mr. HOLLADAY. Well, we would explain simply what we had done and how we felt about the problem of inflation in the food industry or in the oil industry, you know, how that was affecting us, gasoline prices, food prices.

Mr. ROSENTHAL. Have you got copies of all of that correspondence?

Mr. HOLLADAY. Not with me, but we do have copies of the Mailgrams that we sent and the letters.

Mr. ROSENTHAL. Will you send me copies of everything that you sent to Kahn?

Mr. HOLLADAY. Sure. Let me make a note of that.

Now, our next step was to visit the offices of some of our local Congressmen in each of the cities where we are working and asked them to put a call into Mr. Kahn asking him to meet with the ACORN association board of directors. We were disappointed to find that Mr. Kahn wasn't able to meet with us.

He did send a representative, Ron Leonard, from his office who explained that Mr. Kahn doesn't work on weekends, and it was too inconvenient to fly in and out of Little Rock where our meeting was held because it would have taken—he had to spend the whole day there.

Mr. ROSENTHAL. We have a representative from Mr. Kahn's office

here, and she is going to take all this information down, and I am sure she will convey it to him personally.

Mr. HOLLADAY. Now, I didn't attend that meeting. I also understand that Mr. Leonard informed our board that direct action such as ACORN had been engaging in for the last 9 years with considerable success was now passe and that we needed to find some other way of expressing ourselves.

Mr. CONYERS. Who told you that?

Mr. HOLLADAY. Mr. Leonard from Mr. Kahn's office.

Mr. ROSENTHAL. What is his first name?

Mr. HOLLADAY. Ron.

Mr. ROSENTHAL. Do you know who he is?

Ms. SQUIRES. I know a Tom Leonard.

Mr. HOLLADAY. Maybe it is Tom Leonard. I got this indirectly. Anyway, at that point, as I understand it, they threw him out.

Mr. CONYERS. Who threw whom out?

Mr. HOLLADAY. Well, as I understand it, the ACORN Board at that point asked Mr. Leonard to leave or chased him out or something. They were quite riled up. They didn't feel like he was really interested in cooperating with us in trying to find a solution to the problem.

Mr. CONYERS. I don't want to rush you along, but you told me that if you could meet with Kahn, you first of all would tell him what you had been doing, but you didn't get to the point about what advice you would give him.

Mr. HOLLADAY. Now, I will be happy to go over some criticisms that we have of the current anti-inflation program.

ACORN groups have been critical of the President's price control program since it went into effect in December. Some of the criticisms that have been raised by ACORN members are that the program goals are meager, companies are being asked to reduce their rate of price inflation by 0.5 percent. How much is 0.5 percent? It is a quarter of a cent on a loaf of bread, 5 cents or so on a tank of gas. It doesn't really seem like too much to us when prices are already so outrageously high.

We also feel like there are too many loopholes, companies are allowed to get exceptions by claiming uncontrollable cost increases, and other excuses. Certain companies such as banks, insurance companies, and hospitals are automatically exempt from price standards. No teeth in the program. It's entirely voluntary and I think we have found from our own experience that a lot of companies aren't very interested in complying.

TOO COMPLICATED

The guidelines, written in bureaucratic style, have so many twists and turns it's hard to keep track of them. This makes it difficult for the Government or the people to hold companies accountable to the price standard.

BIAS TOWARD WAGE CONTROL

The whole character of the program suggests that the real goal of the anti-inflation fight is to hold down wage increases. While the price guidelines are soft, the wage guideline is a tight, tough 7 percent with few exceptions allowed. Many have asked why wage increases should

be limited to 7 percent while price increases are allowed to go up to 9 percent and higher.

All of these points are still valid now as they were in December. If anything, they are more valid now than ever.

Mr. CONYERS. Well, if Mr. Kahn asked you how you would revise the wage/price guidelines, what would you or your organization respond?

Mr. HOLLADAY. Well, that's a more difficult question. I think as everyone else, you know, we are having trouble seeing exactly how inflation can be controlled and we are not economists. Now, I do think that some of the—

Mr. CONYERS. In other words, you are not for mandatory controls?

Mr. HOLLADAY. We haven't reached that conclusion yet, but that is certainly something that we are considering. I don't think we are necessarily opposed to, we just haven't concluded from an organizational point of view, you know, how far we think they should go.

Mr. CONYERS. Well, you should get it together because you may end up with an appointment with Mr. Kahn sooner than you think. His representative is in the room. This may become rather important.

Mr. HOLLADAY. You are right, and ACORN is working now on trying to reach a consensus within the organization on a number of national issues which affect our constituency. Those suggestions are taking place at the neighborhood level and then being carried from the neighborhood level. We are going to have a national conference in St. Louis this summer to try to hash out some of these questions. I guess one of our problems is that in a grassroots organization like this, we need to reach a consensus and make sure that what we come up with is something that all of our members can agree on.

Mr. CONYERS. Well, I know the Detroit chapter is going to be there with all hands and feet because they have very strong opinions on this subject. So we wish you well. We really appreciate your testimony on behalf of the local chapter.

Is there anything that you wanted to conclude with?

Mr. HOLLADAY. Well, I would like to point out that I believe one of our ACORN members in Fort Worth is going to have the opportunity tonight to question Mr. Kahn on a program, television program on PBS. Her name is Pat Hutcherson, and I guess her family is going to have an opportunity on this program to ask him some questions about inflation. So I guess there is some justice in the world.

Mr. CONYERS. Good luck.

Mr. ROSENTHAL. I myself think, and I know we all think, it's absolutely, extraordinarily important that the citizens groups be mobilized to participate in this kind of an effort, and we as Government officials are grateful for your role.

Mr. HOLLADAY. If I could make one concluding comment, we have found it to be a little frustrating trying to work on a problem of such great scope and trying to have our voice heard. It's a little difficult sometimes for some people to take us seriously when we are trying to take on the problem of inflation by direct citizen action. It was a little outside of our normal experience of working on various specific and localized kinds of problems, but I do think we certainly do feel like it is an issue that citizens' groups do have to get involved in and work on, and we will be trying to further our understanding of both the problem and the solution.

Mr. ROSENTHAL. Thank you very much.

Our next witness is Juereta Smith, regional director of the Federal Trade Commission's Dallas regional office.

STATEMENT OF JUERETA SMITH, REGIONAL DIRECTOR, DALLAS REGIONAL OFFICE, FEDERAL TRADE COMMISSION

Ms. SMITH. Mr. Chairman and members of the subcommittee, I am Juereta Smith, regional director of the Federal Trade Commission's Dallas regional office.

I appreciate this opportunity to appear before this body as it considers inflation and to offer testimony regarding the Federal Trade Commission's inflation fighting activities. My testimony here today will not necessarily reflect the view of the Commission or any individual Commissioner.

Mr. CONYERS. Whose views are these?

Ms. SMITH. Mine.

Mr. CONYERS. In your individual capacity?

Ms. SMITH. No, in my capacity as director of the Dallas office.

Mr. CONYERS. But separated from anyone else's?

Ms. SMITH. Right, separated from the Commission.

On Thursday of last week the Labor Department announced that consumer prices increased by 1 full percentage point during the month of March 1979. This 12 percent annual rate of increase very vividly demonstrates the recalcitrant nature of this phenomenon called inflation and reinforces the need to use every available weapon in our struggle against it.

President Carter has stated that competition is our most powerful weapon in this battle, and FTC activities illustrate just how powerful this weapon can be.

Recognizing that inflation adversely affects the average consumer's budget for the basic necessities of life, the Commission is focusing its efforts on those factors which are most dramatically affected by increased prices; namely, food, clothing, energy, housing, transportation, and health care.

With regard to food, the Commission has a long history of promoting competition in this industry by challenging mergers of food processors and food stores. Just last week, the Commission, through our office, challenged a proposed merger between the Southland Corp. and Knowlton's, Inc., two dairy processors in the San Antonio area. It is alleged that the merger would eliminate competition between the two companies. My view is that the merger, if allowed, would ultimately increase the cost of fluid milk to consumers of those products.

Within the past few years, the Commission has obtained consent agreements from several leading retail food firms setting standards of availability of advertised specials. The consent orders require these firms to have reasonable quantities of the advertised price specials on hand so that consumers who shop those specials in an effort to stretch their shrinking dollars are assured their efforts are not futile.

The consent agreements cover such food chains in this area as Safeway, Kroeger, Food Fair, and Shop Rite.

The spiraling costs of housing is another critical area of concern to consumers throughout the country. The Commission has made it clear that resources will be used to monitor this industry and correct abuses where found in the market.

In one nonpublic investigation, this office is looking at the entire spectrum of problems encountered by the purchasers of new homes.

Preliminary evidence suggests the presence of questionable marketing practices, product representations without warranties, and oppressive financing terms. We are concerned that some customers are sinking their entire savings into the purchase of a new home only to learn that what they've bought is not what they believed they were buying.

Mr. ROSENTHAL. Tell us specifically what your office has done in this area.

Ms. SMITH. We have looked—we are in the midst of a nonpublic investigation currently as a result of complaints that we are getting against a particular builder. The complaints indicate that the houses that are being constructed are not what the purchaser thought they would be in terms of the extent to which they are structurally sound. There are questions about the way in which windows are hung. We are looking at how it is financed, the question of whether or not the financing is set up in a manner that will wind up with the purchaser losing moneys that they had invested in land that they owned even before buying.

Mr. ROSENTHAL. Are there any State or local agencies that these disgruntled consumers could have gone to?

Ms. SMITH. The consumers have gone to the State's attorney general and they have gone to the local consumer protection agencies. However, there is no strong agency at the State or local level dealing with housing, and this is why the FTC has felt the necessity to get into the area.

Mr. ROSENTHAL. In this State or all States?

Ms. SMITH. Throughout the country we have a problem with consumers being able anywhere to find help in this problem. New housing is a particular problem right now. We have complaints of these defects across the country. We are doing a survey now to determine the extent of those defects, just how bad they are, how often they are cropping up, so by the time that is finished we will have a pretty good assessment of where that is going on and who is involved.

In Texas we have a tremendous amount of building going on, and we expect that we will have a significant amount here relative to the rest of the country just because of the fact that there is so much going on.

Mr. CONYERS. I want to commend your regional office for its apparently vigorous activity.

Now, does the regional office cover areas other than Dallas?

Ms. SMITH. Yes, we cover five States; we cover Louisiana, Texas, Arkansas, Oklahoma, and New Mexico.

Mr. CONYERS. Are you empowered to operate with a fair amount of freedom from the national office?

Ms. SMITH. I would say that we are. We are given the responsibility actually of monitoring what is going on in our region as far as problems in the marketplace, bringing those cases and investigations that are needed to correct the regional problems.

The restrictions on us has to do with the allocation of resources, so we compete with the other regional offices in terms of the dollars that are available.

Mr. CONYERS. Does this surge of activity represent an increased focus on consumer affairs?

Ms. SMITH. I would say that it does. We have taken special efforts to determine where the dollars seem to be going, and we find that 85 percent of the dollars, of the average consumer dollars, does go into the essentials of life. We looked around and said, "If we have to go into those areas, where can our agency with the kinds of resources that we have, make the greatest dent?"

Mr. CONYERS. I only have a couple of other questions because I have read your statement and I am sure it will be reproduced in the record.

Was the Federal Trade Commission, or is the regional offices ever consulted with regard to our national policies in terms of questions that bring us here today?

Ms. SMITH. You mean out of our headquarters?

Mr. CONYERS. Out of your headquarters office and further from the headquarters office to the chief inflation fighter and those who make administration policy?

Ms. SMITH. Well, our contacts with Mr. Kahn's office specifically is not a direct one. We were invited to attend an orientation session at the time the guidelines first went into effect, but the contacts with that office are through the headquarters office.

Mr. CONYERS. It sounds like it is after everybody has decided, they tell you what the plan is. It would seem to me that, like this subcommittee representing the Congress, it wouldn't be a bad idea for the administration to find out what is going on through Government offices that have been established for decades.

Ms. SMITH. We understand that—I understand that our headquarters office is in contact with various people in Washington. The extent of that contact, I am not aware of. Through our annual report we are reporting to Congress as to what's going on in the regions as well as the headquarters.

Mr. CONYERS. I think that's very good because my experience in the past, I don't know about my colleagues, the Federal Trade Commission in Washington wasn't the most energetic agency going.

Ms. SMITH. Well, someone has described our agency at one time as "The Little Sleeping Lady of Pennsylvania Avenue." In the last 2 years I think you will see there has been a tremendous turnaround, and as a result we are getting an awful lot of pressure from people who feel that perhaps we are too active.

Mr. CONYERS. You can rest assured that you will be criticized for hyperactivity even when you just begin to move.

Let me ask—this is my last question. I would like to just find out where this theory that is vigorously advanced in your statement comes from that competition is our most powerful weapon in the fight against inflation.

Ms. SMITH. The theory is that if you have a variety of competitors in the marketplace, small, medium-sized, and large, they have incentives to do whatever is necessary in order to make it themselves. So if they can keep—if they can cut prices they are apt to draw more people in.

Mr. CONYERS. Where does the theory of cutting prices come in?

Ms. SMITH. That's an economic theory. The economics is, as prices go up, the demand will trail off, prices drop.

Mr. CONYERS. The law of supply and demand, which the last time it was offered was in the ninth edition of Samson's Economics Book. If it operates in Dallas, Tex., I would be delighted to take that back to Washington.

Ms. SMITH. We believe that it operates, and we are working on that theory—

Mr. ROSENTHAL. The reverse of it operates in Washington, you see, and many places around the country where major supermarkets in Washington, for example, at Safeway and Giant had divided up the territory to the exclusion of competition, and once they have eliminated the competition, there is no lid on the price rise.

Mr. CONYERS. As the automobile industries in Detroit, when they have a year of producing less, they raise the prices so that the per unit volume of profits will leave them at the same point.

Ms. SMITH. That is the very reason why you see an awful lot of interest in our agency in terms of the huge conglomerate mergers taking place across the country. We feel that when you only have a handful of companies in one industry, they can collude in a fashion, and it is essential that we look at breaking up those conglomerates.

Mr. CONYERS. I agree with that theory, but relating the competition to fighting inflation, that's a different theory. I quite agree with you at this point, but the problem, of course, is that supply and demand is the theoretical concept. Now that we are in sectors which can literally control the prices without even merger and then I further remind you that the consolidations are going on at still an awfully high rate.

There has been only a very small diminution in the rate of the biggies gobbling up the little ones in the private sector.

Ms. SMITH. We are interested in what Congress will do with the legislation that will be proposed to deal with the conglomerate mergers all over the place because our efforts cannot be successful as long as something is not done about it.

Mr. CONYERS. Well, I am happy to know that the President is considering such proposal. I didn't know that was in the works.

Mr. ROSENTHAL. Without objection, your entire statement will be put in the record.

I am interested in knowing, how long have you been the regional director of this office?

Ms. SMITH. A little over 1 year.

Mr. ROSENTHAL. During that 1 year, what things have you folks done either in fighting inflation or dealing with consumer complaints or anything in support of your charter mandate?

Ms. SMITH. Well, one of the things we have done is trying to beef up considerably our consumer education program because recognizing that a 30-person staff can in no way police a 5-State region—

Mr. ROSENTHAL. Of the 30 persons there, how many are professionals?

Ms. SMITH. Let's see, there are 15 attorneys and 6 consumer protection specialists.

Mr. ROSENTHAL. What have you done?

Ms. SMITH. Well, we have had sessions where we have brought in people from the community to expose them to information. We have

worked with local media, where possible, to get PSA's on stations. I have spoken and my staff has spoken at meetings whenever we get an opportunity, telling them about the rules, for example, the eyeglass rule.

We discovered that in most States where there are no restrictions on the advertising of eyeglasses, the prices for eyeglasses are anywhere from 25 to 40 percent less. So the rule then prohibits any bans on advertising of eyeglasses.

Second: The rule requires that a person be given a copy of his prescription. With those two things in mind, the consumer then can go out and shop around and get the best price. That means that the cost can go down.

Mr. ROSENTHAL. Is there a law in Texas banning the advertising of eyeglasses.

Ms. SMITH. There were restrictions in terms of the ophthalmic code. With the Federal Trade Commission's rule, that's knocked out.

Mr. ROSENTHAL. What other areas have you worked in?

Ms. SMITH. We have worked particularly hard on industrial life insurance. People who are trying to protect themselves have been very concerned that they have insurance in case they die and their families not be left with it. We find that there is a particular kind of insurance that is paid for years with the door-to-door salesman and the return is very low. So we have held hearings so that people can hear those reports.

We have prepared—there are news releases that come out regularly from headquarters. We make personal contacts to the local media to try to get them to use those PSA's.

We have participated on panels and discussions about the generic drug substitution laws.

Mr. ROSENTHAL. What is the situation here in Texas on generic drugs?

Ms. SMITH. Texas is currently considering the drug substitution law. We are working with—we have testified—I'm sorry, we worked with local groups, and we have written letters to individual representatives indicating that we are available to come and talk to them about the benefits of the generic drug substitution law. That bill is still in committee and we don't know where it is going to go.

Mr. CONYERS. Well, then, your activity is perhaps exciting the concern of many in the corporate sectors, especially you being a woman and a black person as well?

Ms. SMITH. That is conceivable. However, those are two things I have lived with all of my life, and it has been something that I can sometimes use to an advantage. Sometimes it becomes a problem, I recognize that, and try to work through it.

Mr. ROSENTHAL. Have you brought any cases here at all?

Ms. SMITH. Yes, we have.

Mr. ROSENTHAL. Tell me what cases and what areas.

Ms. SMITH. Well, in one nonpublic investigation I mentioned earlier in housing, we are looking preliminarily at the automobile industry because a vast number of our complaints are about cars.

Mr. ROSENTHAL. I am talking about here in Dallas.

Ms. SMITH. I am talking about in Dallas, in Dallas, the housing case is in Dallas. The automobile preliminary investigation is in Dallas.

We have another nonpublic case in which we are looking at a merger between the dairy industry that I mentioned is here in Dallas. We have a study going on of the oil field industry.

Mr. CONYERS. The oil industry, I would urge that you look at that with particular care. We already have indictments flowing almost like oil in terms of switched labels. We find that there are a good number of conspiracies that may have been going on to fix prices and restraints of trade of quite a number of areas.

As a matter of fact, the Department of Justice, you might want to know, is overburdened. They now need attorneys themselves merely to conduct the investigations that may lead to the grand jury hearings in these matters.

Mr. ROSENTHAL. On the same subject, have you been working together with these folks in the Department of Energy?

Ms. SMITH. We have liaisons in Washington with Energy—

Mr. ROSENTHAL. I am talking about here, the fellow that testified this morning.

Ms. SMITH. We have participated in the seminars and stand ready when it is appropriate for us to get involved in the implementation of NEA. We have not done specific kinds of tie-in programs in the region.

Mr. ROSENTHAL. I was wondering if there was more that you could do in this area?

Ms. SMITH. Well, one of the problems is that we really are spread thin with 30 people, but we have tried to say, "Where can we do the most good where nobody is moving?" Health is another area where we have a nonpublic case going on.

Mr. ROSENTHAL. What is a nonpublic case?

Ms. SMITH. The case has not been announced to the public, the name of the potential respondent. The one case, well, you have probably heard of the Indiana Dental Association case.

Mr. ROSENTHAL. We never heard of it.

Ms. SMITH. In that particular case, the Dental Association boycotted insurance carriers who insisted that they carry out certain cost-contained programs. This is particularly important because the cost of health continues to go up and no one has a handle on it because you have an awful lot of third-party payments going on.

So, in that particular instance the insurance carriers set up a schedule whereby the X-rays would be presented to them to see whether or not the kind of treatment being recommended was, in fact, the most feasible. The dentists banded together and said they would not cooperate.

Mr. ROSENTHAL. Are you talking about here in Dallas?

Ms. SMITH. This is the Indiana case. In the Dallas region we are in a nonpublic investigation that is equivalent to that.

Mr. CONYERS. I think you are doing an excellent job. There is no doubt about it. Well, we haven't talked to other regional directors, but this lends me at least good reason to feel more encouraged about the Federal Trade Commission as an entity because it was really considered to be a rather inactive part of the Federal Government.

Mr. WILLIAMS. May I ask you something. You commented that you have 30 people?

Ms. SMITH. Yes.

Mr. WILLIAMS. To cover the five-State region?

Ms. SMITH. Yes.

Mr. WILLIAMS. How many regions in the FTC?

Ms. SMITH. Ten.

Mr. WILLIAMS. And that is 300 people?

Ms. SMITH. Right. We have approximately—

Mr. WILLIAMS. You say it is difficult to do the job that FTC has to do because of the limitation on staff?

Ms. SMITH. Right.

Mr. WILLIAMS. Just in my mind, how is the anti-inflation program nationwide going to work with a staff of 200 people?

Ms. SMITH. I don't know, I really don't.

Mr. WILLIAMS. We have touched on this at our hearings. It is difficult for me to comprehend whether we are seriously trying to attack inflation. I am not picking on anybody. I think the committee tried to point out to Mr. Kahn, in fact, our concern whether we are really being realistic or whether we are engaged in a window-dressing effort.

I was listening to the numbers in your particular area, which is kind of a limited area.

Mr. CONYERS. I believe that the morale of the citizens—of course, you are a five-State area, you can speak to this from a larger perspective; how do people feel, which is why we came out here?

Ms. SMITH. Well, the kind of feedback I get when I talk to people is that people are very concerned. Many of them have taken sort of an attitude of, "I will do the best I can as long as I can." There is a grasping for information, any kind of information to help them to deal with the problem they want. There is not an awful lot of hope necessarily expressed that we will be able to do the job.

Mr. WILLIAMS. Is inflation the No. 1 issue in Dallas? In my district it's unemployment.

Ms. SMITH. From people I would talk to, I would think inflation is the No. 1 issue.

Mr. CONYERS. Of course, for a person poor and unemployed, everything is a No. 1 issue.

Ms. SMITH. Right. Inflation makes it even harder to use that dollar to get food.

Mr. ROSENTHAL. Thank you very, very much. We appreciate your testimony.

[Ms. Smith's prepared statement follows:]

STATEMENT OF
JUERETA P. SMITH
REGIONAL DIRECTOR FOR DALLAS REGIONAL OFFICE
FEDERAL TRADE COMMISSION
BEFORE THE
COMMERCE, CONSUMER & MONETARY AFFAIRS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS
MAY 3, 1979

Mr. Chairman and members of the Subcommittee, I am Juereta Smith, Regional Director of the Federal Trade Commission's Dallas Regional Office.

I appreciate this opportunity to appear before this body as it considers inflation and to offer testimony regarding the Federal Trade Commission's inflation fighting activities. My testimony here today will not necessarily reflect the views of the Commission or any individual Commissioner.

On Thursday of last week the Labor Department announced that consumer prices increased by one full percentage point during the month of March 1979. This 12 percent annual rate of increase very vividly demonstrates the recalcitrant nature of this phenomenon called inflation and reinforces the need to use every available weapon in our struggle against it. President Carter has stated that competition is our most powerful weapon in this battle, and FTC activities illustrate just how powerful this weapon can be.

Recognizing that inflation adversely affects the average consumer's budget for the basic necessities of life, the Commission is focusing its efforts on those factors which are most dramatically affected by increased prices, namely, food, clothing, energy, housing, transportation, and health care.

With regard to food, the Commission has a long history of promoting competition in this industry by challenging mergers of food processors and food stores. Just last week the Commission, through our Office, challenged a proposed merger between the Southland Corporation and Knowlton's, Inc., two dairy processors in the San Antonio area. It is alleged that the merger would eliminate competition between the two companies. My view is that the merger, if allowed, would ultimately increase the cost of fluid milk to consumers of those products.

Within the past few years the Commission has obtained consent agreements from several leading retail food firms setting standards of availability of advertised specials. The consent orders require these firms to have reasonable quantities of the advertised price specials on hand so that consumers who shop those specials in an effort to stretch their shrinking dollars are assured that their efforts are not futile. The consent agreements cover such food chains in this area as Safeway, Kroger, Food-Fair and Shop Rite.

The spiraling costs of housing is another critical area of concern to consumers throughout the country. The Commission has made it clear that resources will be used to monitor this industry and correct abuses where found in the market. In one nonpublic investigation this office is looking at the entire spectrum of problems encountered by the purchasers of new homes. Preliminary evidence suggests the presence of questionable marketing practices, product representations without warranties, and oppressive financing terms. We are concerned that some consumers are sinking their entire savings into the purchase of a new home only to learn that what they've bought is not what they believed they were buying.

This office continues to work with both consumers as well as members of the housing industry to increase the availability of new home warranties so that new purchasers do not run the risk of being saddled with devastating costs to repair major structural defects in brand new homes.

Turning to another important sector, overall transportation costs during March rose 1.2 percent, while gasoline prices increased by 3.8 percent during that same period of time. Consumers are facing drastic fuel cost escalations at the same time they are paying more to buy, maintain and use transportation equipment.

In this connection, the staff in the Dallas Office investigated the single source taxi contract which existed at Dallas/Fort Worth Airport and in 1978 made recommendations for modification of that situation - modifications that, it is estimated, would have saved users of that service upwards of \$700 thousand a year. Although the modifications to the contract at the airport do not track the FTC recommendations, some changes have been made. The study which was the basis of the staff recommendations generated considerable national interest and has been replicated and distributed to numerous municipalities across the country.

Furthermore, our Office is currently in a very preliminary investigation concerning auto transmission repair industry practices and costs. Complaints indicate that consumers are being advised to make costly and, in too many instances, unneeded repairs to their automobile transmissions.

In recognition that an increasing proportion of every consumer dollar is going to pay for health care, numerous Commission initiatives have been directed toward easing inflationary pressures in this sector. FTC investigations are exploring such issues as the effects of physician control of Blue Shield plans; alleged attempts by health insurers to inhibit the growth of lower cost health maintenance organizations; and alleged restraints by physician organizations on salaried employment of physicians by hospitals.

A formal investigation that was the result of a task force report on prescription drugs explored the drug substitution laws of various states and generated a generic drug substitution model act. Under that Act, pharmacists would be permitted to substitute less expensive drugs for name brand prescriptions where such substitution was medically feasible. The Dallas Regional Office has carefully monitored the progress of generic drug substitution laws in its five-state region in light of the fact that it has been estimated that over \$38 million could be saved for consumers if all of these states permitted generic drug substitution by pharmacists to the maximum extent. We are furthermore working actively with state legislatures that are considering this or similar laws.

The Commission has obtained a consent agreement from the Indiana Dental Association which prohibits that association from interfering with the cost containment efforts of insurers of dental services. Our Office, in another non-public investigation, is looking at a similar situation in this Region in an effort to encourage cost containment in health areas that could ultimately lead to cost savings for consumers. These types of money saving efforts by third party payers are critically important if any significant damper is to be placed on the upward spiral of health care costs.

Mr. Chairman, that concludes my prepared remarks. I would be glad to respond to any questions.

Mr. ROSENTHAL. Our next witness is Mr. James Shepard. It is a delight to have you. You are a private citizen; right?

STATEMENT OF JAMES M. SHEPARD, PRIVATE CITIZEN

Mr. SHEPARD. Thank you. Yes, sir, I am.

Mr. ROSENTHAL. That is the highest honor that this Nation can bestow on anyone.

Go ahead, Mr. Shepard.

Mr. SHEPARD. Chairman Rosenthal, Congressman Williams, and Congressman Conyers, I want to thank you very much for the opportunity to appear here today. This is the first time in many years that I have appeared at a committee, so I may be just a little bit shy.

My name is James M. Shepard, spelled S-h-e-p-a-r-d.

Anyway, the reason why I am here is to acquaint you with an observation of mine which I am qualified to tell you about. First of all, let me qualify my own characteristics by saying that I have a deep compassion for the very poor and underprivileged people. I believe that human rights are more important than property rights. I believe in the law of supremacy of moral law, the law of truth and love.

Now, I was a retail meatcutter for 20 years in my early years, beginning when I was 17 years old; therefore, I am able to describe to you exactly what I want to say that I feel is very important.

I have observed recently, more so than ever, people who have food stamps, which are now free. We know up until the first of the year food stamps were purchased at, I think, a ratio of 60 percent and get 40 percent—buy 60 percent and get 40 percent free, but now they are totally free, since the first of the year. So meat prices have jumped tremendously since the first of the year, and I feel like this is the reason why.

Mr. CONYERS. Oh, no——

Mr. SHEPARD. If you will observe——

Mr. CONYERS. I can tell you right now that that hasn't——

Mr. SHEPARD. Wait a minute, Congressman Conyers. You don't know what I am going to say.

If you will observe people shopping with food stamps now, a person comes into the store, say, with 50 dollars' worth of food stamps to buy groceries. The average food stamp recipient will buy about three-fourths in meat and about one-fourth in groceries.

Mr. CONYERS. That's not true, either.

Mr. SHEPARD. Now, Congressman Conyers, I know you have a right to your belief, and I'm not here—the reason why I said that, nobody has more of a compassion—and I'm poor myself, incidentally. I have very little bit. My wife and I are on social security——

Mr. CONYERS. Well, when I am in the supermarket looking at people in front of me, they didn't do that. So how can I sit here and listen to you without just telling you that they are not buying like that. Some do, but not the majority.

Mr. SHEPARD. Mr. Conyers, if you will permit me this observation. All day, and it comes to the time to say what I want to say, and I am not saying this to hurt anybody, because I am in favor of more food stamps, if that would be of interest to you.

I would be in favor of more food stamps for the people who deserve them. I am not against people receiving food stamps; don't misunderstand me at all. I am for that 100 percent.

I was a meatcutter back in the years of the hard depression when anyone of you were not old enough to know, but it was at a time when it was really tough. There was nothing free for anybody from the Government except for what they got from their neighbors or somebody like that that helped them, somebody like myself that helped people over the meat counter. I helped a lot of people.

But what I am trying to make is the point that if you will observe the people with food stamps and how they buy, they will buy from one-half to three-quarters of the purchases in meat and about half to one-fourth in groceries. Now, the suggestion I have is this; if it is necessary, certainly issue more food stamps. So, Congressman Conyers, I hope you don't misunderstand me, and God bless you; I didn't come here for you to misunderstand me. I am in favor of more food stamps, but I am in favor of the food stamps being used in a way that will be most beneficial to everybody concerned.

If food stamps are designated so many for meat and so many for groceries, in other words, when 100 dollars' worth of food stamps are issued, it would be \$25 for meat and \$75 for groceries. Now, that family will really eat better in the long run.

As I say again, I listened to these people here, Congressman Conyers, and nobody would be favor of more food stamps if it takes them. I'm not against food stamps; I'm for it. I'm for them 100 percent, and I thank God that I lived long enough that our country came to the time where nobody is allowed to go hungry in our country.

The point I am trying to make is this; if food stamps are utilized, and the meat purchases are not of such a greater ratio as they are, the price of meat would come down because I have every reason, and I have made a study of this, Congressman Conyers, Congressman Rosenthal, and Congressman Williams, that 18½ million people are eating enough meat for 40 million people. If these stamps were so designated, so much in meat and so much in groceries, I really believe that almost instantly when that goes into effect, the price of meat would drop 10 to 20 percent on the counter.

If anyone has any questions.

MR. ROSENTHAL. No, I don't know, you know, what percentage of people spend their money on meat and food. I know in my own family we probably spend half as much money on meat as we do on the rest of the groceries. I'm not sure, but from what I see of my wife shopping, she spends more money on cleaning equipment and soap and Brillo than she does on groceries, which upsets me enormously.

MR. SHEPARD. Well, I include that in the grocery department.

MR. ROSENTHAL. That doesn't do much for me. Also, I don't know myself whether you can designate food stamps like that. Different people have different diet habits, different interests. I'm not sure you can do that.

MR. SHEPARD. You don't believe that it could be done?

MR. ROSENTHAL. I don't know that you can do that, whether you can designate food stamps as to how people should use them, other than to say, "You can't use them for alcoholic beverages or cigarettes."

Some people are on heavy protein meat diets and others are not. Many people are on diets that pretty much exclude meat; I don't know.

Mr. WILLIAMS. Just to follow that a little bit further, don't you think that that's an individual choice, that we are kind of tampering with an individual decision that an individual should make?

Mr. SHEPARD. Yes, you are right; but now let me explain.

My wife and I live on social security. We wound up in our late life with practically nothing, and that was through some bad investments, which is our fault, but we don't have anything.

See, I work a little bit and my wife works a little bit, and we barely make ends meet. This is the honest to goodness truth. When my wife and I go to the grocery store, we would like to enjoy steaks and roasts and other cuts of meat that people who have food stamps buy, but I will tell you, holding my right hand and I swear before the good Lord, that many a week my wife and I will have only a soup bone and maybe a pound of liver, something like that, and that's all the meat that we can have for the whole week. That is because the price of meat is so high.

Mr. WILLIAMS. That's a good point. You have been in the business from way back in the depression days. What can we do to control the price of meat?

Mr. SHEPARD. Well, I thought that is what you all were searching for.

Mr. WILLIAMS. That is what we are searching for. What, in your opinion, being a leader in that profession, has made this all happen to us, the cost of that meat going up? Is it wages that they have had to pay? Is it something else, or is it lack of competition? What is it?

Mr. SHEPARD. Well, now, meat has been gradually going up, as you know, Mr. Williams, since 1973, and, of course, I think it took a little drop there along about 1974 or 1975.

Mr. WILLIAMS. Why has that happened?

Mr. SHEPARD. But the reason why meat took such a big jump since the first of the year, and it has taken a much bigger jump—now, my wife and I, say, if we could afford a roast for 1 week, we were buying what is known as a seven roast out of choice beef, which most of the markets have. That would cost us 79 cents a pound. Today that roast sells for \$1.49 a pound, and if it is advertised, it is advertised for \$1.29 a pound. Now, there is a good example of how much beef has jumped since the first of the year.

Mr. WILLIAMS. What made it do that?

Mr. SHEPARD. Before the first of the year people who were receiving food stamps were required to buy 60 percent, they had to pay about 60 dollars' worth of food stamps and they got 40 dollars' worth free on that basis.

Mr. WILLIAMS. You are saying, like critics of some other programs, that because there is a giveaway program in the food area, that this program is making prices go up?

Mr. SHEPARD. Yes, sir, they are getting those stamps free, they don't have to buy them. So, when they come in the grocery store, certainly they are going to buy—I am certainly in favor, if a person has to buy 100 percent in meat and that is for their health, that would be all good and fine, but when people come in and shop and, for instance,

my wife works in a laundry, see, and some of the people working there that make a lot more money than my wife makes gets food stamps and they tell my wife all about how they get a freezer full of meat and it gets old and they throw it away and go down and get some more.

Mr. WILLIAMS. Do you think that made the price of meat double in the last 6 months?

Mr. SHEPARD. I think that this has been a very big contributing factor. Now, to prove my point, look what happened to oil when Iran cut off the world's supply—

Mr. WILLIAMS. I happen to think that's ridiculous.

Mr. SHEPARD. Just the 6 million barrels they shut off all of a sudden made a big difference as far as price is concerned.

Mr. CONYERS. But that is what we are beginning to wonder, whether that is a causal connection or whether people used that as an excuse to raise prices. Congressmen are asking that question.

Mr. SHEPARD. Well, we have the same amount of meat. Let me put it this way. We have got the same amount of meat for supply for a great number of people, but when 18½ million people are eating as much meat as normally 40 or 45 million people eat, then that's why the price of meat took a very large jump, you see.

Mr. CONYERS. Well, let me indicate, first of all, that I have been very sympathetic about your intentions. There is no question that you are a citizen of enormous goodwill. You have experienced poverty yourself, you really don't want to be deprived of the basic necessities of life. You have a recommendation to us that is probably a little difficult for this subcommittee to enact.

I think this ought to be really carefully examined by the Committee on Agriculture who handles food stamps and these questions. I just want to say to you on a personal basis that I have appreciated your testimony, and I didn't mean to intrude as many times as I did.

Mr. SHEPARD. Thank you, sir. Anyway, the point is to designate so much of the food stamps for meat and so much for groceries about like the average family buys.

Mr. ROSENTHAL. What would you do if my wife spent 50 percent of her money on cleaning equipment?

Mr. SHEPARD. I would say your wife must keep an awfully clean house.

Mr. ROSENTHAL. We have nothing to eat, but it is very clean.

Mr. SHEPARD. Well, I will tell you, sometimes, you know, if everything is nice and clean you can imagine some good food in front of you even if it isn't there.

Anyway, this is just in conclusion. I hope, Congressman Conyers, that you didn't misunderstand me because let me tell you something, Congressman Conyers. My wife and I have lost more friends in Dallas on account of our love for black people here than for any other reason. So, I don't want you to be misunderstanding me, sir.

When I worked for the meat market during the depression, things got tough, as you know from history. I knew a family that was very wealthy that lost everything. They had a little boy about 8 years old and hardly ever would I see the mother, but he would come in every day after school, and he always wanted some bones for his dog, so I gave them to him. I gave bones free to everybody.

One day he came and called me down to the far end of the counter and he said, "Mr. Shepard," he says, "My momma told me to tell you that the bones that you gave us yesterday made the whole family sick, and if you will, we sure would appreciate it if you would give us fresh bones."

So I knew then that they were boiling those bones and that's how they were living, you see. So I made sure that the bones were fresh from then on out, and I usually would leave a little extra meat on them.

Mr. ROSENTHAL. That's very, very nice——

Mr. SHEPARD. But, you see, sometimes people don't understand people.

Mr. ROSENTHAL. We have to get to the next witness. He is very anxious to go.

Mr. SHEPARD. Well, anyway, I will conclude by saying thank you very much.

Mr. ROSENTHAL. Thank you. It's a pleasure to see you, Mr. Shepard.

Mr. SHEPARD. Well, I'm sorry you all didn't understand.

Mr. ROSENTHAL. No, no, we enjoyed it, and we will convey your recommendations to Chairman Foley who is the chairman of the Agricultural Committee.

This is Mr. Dick Hueholt, vice president for governmental and public affairs, Dallas Chamber of Commerce.

Are you going to tell us where to go have dinner before we leave this town?

STATEMENT OF RICHARD L. HUEHOLT, VICE PRESIDENT OF GOVERNMENTAL AND PUBLIC AFFAIRS, DALLAS CHAMBER OF COMMERCE, DALLAS, TEX.

Mr. HUEHOLT. We very much appreciate the chance to talk with your committee, and we want to welcome you to Dallas on this day that you are almost risking your life here today, so we really appreciate this. We also appreciate what you are trying to do, so I would like to give this brief statement to you.

The Dallas Chamber of Commerce sees its role in the anti-inflation program as that of being a distributor of information and a communicator between the business community and the Federal Government.

On August 17, 1978, the chamber scheduled a meeting in Dallas between selected business and community leaders and the staff of Robert Strauss, then the President's chief inflation adviser, to discuss ways in which the Government could work with business to combat inflation.

In December 1978, the chairman and president of the Dallas Chamber of Commerce attended a White House briefing on the wage and price guidelines adopted by the administration. Since August we have kept our Dallas Chamber board and members informed on the anti-inflation efforts.

We also realize that the economic inflation spiral has been going on for 13 years, and there is no real quick remedy. In the August meeting, members of the Dallas business community expressed concern over many aspects of our economic condition. Of major concern is that Government regulation is really overregulation, costing millions of dollars

without any real benefit. Another source of concern is the Federal Government's policy on deficit spending, which fuels inflation.

Our energy problem and the country's inability to cope with alternative sources should be one area in which the Government and the private sector can come up with workable solutions.

At a U.S. Chamber of Commerce meeting in Washington this week, which I just got back from, a poll was taken concerning the fight on inflation. More than 800 respondents from all over the United States, business and chamber of commerce executives, gave their opinions, and they are as follows: 48 percent voted that inflation will be worse in 1980 than 1979; 83 percent voted that the primary cause of inflation is Government spending; 95 percent supported a balanced budget. To accomplish this, 78 percent favored reducing Federal programs and regulations; 33 percent thought that there would be more good times than bad times in the economy in the next 5 years.

However, 53 percent thought that there is some chance of recession in 1980, and 67 percent thought that the Federal Government would be unsuccessful in establishing economic policies to fight inflation and unemployment.

Also, 38 percent thought that air and water regulatory programs cost American industry the most and that 35 percent of them thought that the air and water regulatory programs should be reduced to cut their cost impact on our economy.

The Dallas Chamber of Commerce has not taken a poll concerning inflation, but if we did, we believe that the response we would receive would be similar to information presented above, which we just received yesterday.

The Dallas Chamber of Commerce's position on inflation is summarized as follows:

No. 1, we believe that the primary cause of inflation is Government spending. We support a balanced Federal budget. We believe Federal programs and regulations should be reduced. We believe air and water regulatory programs should be reduced to cut their cost impact on our economy.

The Dallas Chamber of Commerce remains willing to continue its role as communicator between the Federal Government and Dallas business in our effort to combat inflation.

With that, I would very much thank you for your time and attention.

Mr. ROSENTHAL. I am just curious—I think it is a good statement. When you say the chamber of commerce's position that the primary cause of inflation is Government spending, what programs would you recommend that we significantly reduce?

Mr. HUEHOLT. Well, let me cite just one example, as you are all aware of in your own States. We have a State implementation plan through our State of Texas that we will submit to EPA, and this will require a lot of things, or certain sanctions will come on us in the State. One of the things is the requirement for reasonable, evadable control technology on such business enterprises as our cleaning establishments.

Let me cite an example. Say our suits take a dollar to have cleaned. Starting the 1st—

Mr. ROSENTHAL. Say what?

Mr. HUEHOLT. Say it costs a dollar—

Mr. ROSENTHAL. Does it?

Mr. HUEHOLT. I am just using that as an example, to clean a suit. Now, after the 1st of July, when they put in this expensive equipment to clean up this photochemical oxidant, they will spend about \$10,000, \$15,000 to put that equipment in. It has got to come from somewhere, so you know where it is going to come from; it will come from us when we have our suits cleaned.

Mr. ROSENTHAL. I am just curious. In the total Federal budget, which programs do you think we should cut?

Mr. HUEHOLT. Well, here are some of the ones that were highly— they felt should be reduced. Air and water quality requirements was the No. 1. Equal employment regulations was the second one that came up. Health and safety of employees was the third one. Federal Trade Commission regulations was next. Federal contracting regulations was the next one, and product safety regulations was the next one. That was in the order of, I guess, importance.

Mr. ROSENTHAL. All of those probably don't amount to one-tenth of 1 percent of the Federal budget.

Mr. HUEHOLT. I'm sure that it doesn't cost the Government, but it costs—

Mr. ROSENTHAL. When you talk of the primary cause of inflation being Government spending; if we totally eliminated the deficit, it would have virtually no impact on inflation. Eighty percent of the inflationary items, housing, food, medical care, and energy, if you totally eliminated the Federal deficit, it wouldn't affect those at all.

The Congressional Budget Office has estimated that if you eliminated the Federal deficit, it would have a one-half of 1 percent impact on inflation.

Mr. HUEHOLT. Let me cite another example. You have mentioned energy. I presume you are mentioning—

Mr. ROSENTHAL. All energy.

Mr. HUEHOLT. Heating and the people that have—

Mr. ROSENTHAL. Like a lady here testified, she gets social security of \$180 a month, and she pays \$103 and \$105 a month.

Mr. HUEHOLT. Let's take that example for a moment.

Mr. ROSENTHAL. That gives her \$20 a week for food.

Mr. HUEHOLT. Right. Let us take that example for a moment. We, as you know, are trying to move into fossil fuel generating units for electricity. That is one of the President's goals. Now, when we build 10 plants here in Texas to, say, burn lignite, we have to build another one, one just to take care of the scrubbers.

Mr. ROSENTHAL. To take care of the what?

Mr. HUEHOLT. To take care of the scrubbers. That is what cleans the air, supposedly, as these lignite plants are burned. When the air is emitted from these plants, even with those scrubbers, they can just make the standard then. There is why these energy costs go up.

Mr. ROSENTHAL. Do you think that the major inflation push on energy is from the scrubbers?

Mr. HUEHOLT. This is an example. Obviously, it is not the only thing that is causing inflation, but it is certainly one reason why the electric costs are going up.

Mr. ROSENTHAL. You think the biggest problem is these clean air and clean water items?

Mr. HUEHOLT. Well, this is one of the major areas that are causing inflation. It has a ripple effect.

Mr. ROSENTHAL. Do you know what the numbers are in that area? That represents an incredibly small percent.

Mr. WILLIAMS. You have stated that the chamber has said Government spending is the number one cause of inflation, according to your poll. What would you think is the number two reason? I think we have had pretty substantial testimony, as the chairman has commented, from leading economists throughout the Nation, that if we balanced the Federal budget, it would have very little impact on the rate of inflation.

Mr. ROSENTHAL. That doesn't mean that we shouldn't try.

Mr. WILLIAMS. We are not justifying deficit spending per se. What would you suggest; mandatory controls, or something like that?

Mr. HUEHOLT. Again, and this thing is so fresh that I haven't even—

Mr. WILLIAMS. I understand it is a poll.

Mr. HUEHOLT. This second reason these people felt, the second cause was labor-wage demands.

Mr. ROSENTHAL. How do you feel about profits of all the oil companies, 200 percent, 100 percent; how do you feel about all of that?

Mr. HUEHOLT. I think that our country, that I personally have fought for in the Korean war, and flew 100 missions—and I have been a good citizen of the United States all my life. I feel, in free enterprise, and I think that if a company is able to make a profit and he can go and explore for more oil, there is a lot of oil here, a lot of gas in Texas, but these people are not going to use their capital to do that unless they feel they are going to get a good profit from it.

Mr. ROSENTHAL. Do you think 300 percent is conscionable?

Mr. HUEHOLT. Obviously, the 300 percent would be a very high profit.

Mr. ROSENTHAL. I saw in today's Washington Post where Mobil Oil Corp. just announced that they are against decontrolling the price of fuel. They are leading a revolt within the oil industry.

Mr. HUEHOLT. I did not see that.

Mr. ROSENTHAL. I'm sure that it will cause a major effect here in Texas. Well, that's what makes for horseraces.

Mr. HUEHOLT. Well, we really sincerely appreciate your coming here.

Mr. ROSENTHAL. We are delighted to come here, notwithstanding the weather and personal risk to our lives.

Mr. HUEHOLT. You are never going to believe sunny Dallas.

Mr. ROSENTHAL. I have been here a couple of times before and the weather has always been delightful and the people have been hospitable and amiable and the ambiance has been perfect, really.

We are anxious to find out what people think about inflation and about the impact and efficacy of wage-price guidelines, the effect it has on lives of people who don't have a chance to tell a congressional committee how they are getting along. Yours is one of the many pieces of testimony that we consider significant and valuable.

Mr. HUEHOLT. Thank you very much.

Mr. ROSENTHAL. I assume we have covered everybody.

Gentlemen, we are delighted that you are in our audience and appreciate whatever advice, guidance or recommendation that you have on this national problem. Why don't you identify yourselves?

STATEMENT OF MARTIN KATZMAN, HEAD OF GRADUATE PROGRAM IN POLITICAL ECONOMY, UNIVERSITY OF TEXAS, DALLAS, TEX.; ACCOMPANIED BY PETER LEWEN, RESIDENT EXPERT ON MACROECONOMIC POLICY, UNIVERSITY OF TEXAS

Mr. KATZMAN. My name is Martin Katzman. I am professor and head of the graduate program in political economy at the University of Texas in Dallas, and my colleague is Peter Lewen, who is our resident expert on macroeconomic policy, also the University of Texas in Dallas.

One question we have is, why would a congressional subcommittee particularly be concerned with the regional impact of inflation? Why would inflation be any different here from any other place? We appreciate—from seeing the process, it was important to us to realize that you are trying to get a vision of what kind of policies would be acceptable to various segments of the population and what their feelings would be toward macroeconomic policy as opposed to wage-price guidelines, and we appreciate that, but our feeling is that the solutions are essentially macroeconomic and political rather than technical economic issues. The question is, what is acceptable politically rather than what is the answer economically.

Economically, inflation is not a problem, it is a question of money supply increasing faster than the rate of growth of the economy. So the question is, why is the money supply increasing that fast? What are the political forces that are leading to that increase?

Here we are at a loss. As professional economists, we can't really say very much because we feel the goal is really in the political court rather than in the court of economists. Economists probably agree, 90 percent consensus, that the issue is one of the money supply increasing at a rapid rate. While we talk about the impact of increases in the money supply, we can't explain why the money supply is increasing.

Mr. ROSENTHAL. You say that the answer to the whole question is to restrict the money supply?

Mr. KATZMAN. Well, yes. There is an extraordinary amount of evidence that over time, over the long run, that the rate of inflation depends on the rate of increase in the money supply and that all sorts of games, price controls, wage controls don't work in the long run. We don't have good experience in that.

The question is, then, why can't we reach a consensus on reducing the rate of increase?

Mr. ROSENTHAL. What would happen if the money supply were reduced?

Mr. KATZMAN. If you did it instantly, we would have unemployment. The question is, can we do it gradually? The question you raise, Congressman, about what programs would you cut or where would you reduce, is one that is not an economic question, but it is a political question, the matter of finding that consensus, that thing that we can all agree on that will enable us to reduce the rate of the increase in the

money supply. As economists, we can't give you any answers. We can just tell you the consequences.

Mr. WILLIAMS. You don't feel that competition has anything to do with it?

Mr. KATZMAN. To tell you the truth, no. What is interesting—

Mr. WILLIAMS. Personally, I'm sorry to hear that.

Mr. KATZMAN. What is interesting about the inflation today is that it brings up a lot of structural problems in the economy, not really related to inflation, but good to be brought up anyway. It is a great idea we are deregulating several industries. It is a great idea to increase competition. That won't have any impact on the rate of increase in prices. It may affect the relative prices in one sector as opposed to another, but the longrun solution to inflation has nothing to do with competition or deregulation. We may use inflation as an excuse to do things we ought to be doing anyway, but we won't solve the inflation problem by deregulating any particular industry or changing our environmental regulations or changing our structure of competition in any particular industry.

Mr. ROSENTHAL. Let's go back to the fundamental proposition that you suggest, that the restriction of money supply would solve inflation. If you did it quickly, it would cause unemployment; how much?

Mr. KATZMAN. It depends upon how quickly you did it. I don't think anybody, any economist would deny the drastic effect of a rapid restriction of the money supply and unemployment. The question is, what is the longrun effect?

The longrun effect is that after much disruption, we would adjust, and we could avoid that pain of adjustment by slowly decreasing the rate of increase in the money supply.

Mr. ROSENTHAL. What effect does inflation have on your life and on the conditions in your school?

Mr. KATZMAN. Well, it's funny, we were thinking beforehand, inflation must be benefiting somebody, otherwise we wouldn't have it. Clearly, we are talking here with people who seem to be losing, people who claim to be losing by the inflationary process. I feel I am losing; the people from the welfare organization seem to be losing—

Mr. ROSENTHAL. What effect is inflation having on your life and on the school?

Mr. KATZMAN. As I say, I feel I am losing, too. My wages aren't increasing as fast as the cost of living.

Mr. ROSENTHAL. What impact is it having on the school and the number of individuals that go to school?

Mr. KATZMAN. The same thing, the same thing. The budgets that we have to hire people aren't rising as fast as market wages. The students who have to work their way through school are having difficulty as well, but that's across the board. That's nationwide.

Mr. ROSENTHAL. Are the wage-price guidelines having any impact?

Mr. KATZMAN. Not that we are aware of. I don't see how they are really affecting us.

Mr. ROSENTHAL. Are they affecting anybody in society, that you are aware of?

Mr. KATZMAN. The guidelines haven't been in operation that long, but the case that the union members made seems to be quite persuasive in the short run. It would be, the wage-price guidelines would

function to keep wages down in a collective bargaining process for just a short time. Eventually there will have to be a catchup period.

I think the experience of the wage-price controls in the Nixon administration indicate that that doesn't work.

Mr. ROSENTHAL. They were never really tried.

Mr. KATZMAN. Well, I suppose they never were. Maybe they can't be tried; that's the problem.

Mr. WILLIAMS. Do you recall the rate of inflation during that period?

Mr. KATZMAN. Well, yes. We thought it was intolerable at 4 percent—

Mr. WILLIAMS. Runaway.

Mr. KATZMAN. Four percent runaway inflation. Gosh, wouldn't we love to be back in that situation where we have 4 percent—

Mr. WILLIAMS. Do you feel that it was really tried?

Mr. KATZMAN. No; but I don't think it can. That's the problem.

Mr. WILLIAMS. Why?

Mr. KATZMAN. Because there is always some industry or some group that will say, "We have got a shortage. There is absolutely no way we can meet our production demands under the guidelines. We have to have an exemption," and the system got an exemption to that.

Mr. LEWEN. Perhaps I could add something to that.

I can't put it more strongly than to say that wage/price controls and guidelines, perhaps to a lesser extent, really undermine the moral fiber of the Nation. They really deal with the symptoms of inflation rather than the causes. In so doing, they really encourage people to be devious.

Most of our laws and most of our institutions are based on the principle that individuals should follow their own self-interests. When it comes to wage-price guidelines, you encourage individuals to follow their self-interests as opposed to the national interests and public interests in this particular case, and they get outlawed and chastised, and you make criminals out of people who in more normal times would be doing—would seem to be public-minded people.

I guess what I am saying is, wage-price guidelines cannot be effective insofar as they deal with symptoms and not the causes. The longer you keep them on, the worse it gets.

Mr. ROSENTHAL. What are the causes?

Mr. LEWEN. The cause of inflation is the increased aggregate amount ahead of supply, which in modern economy, the money supply advancing ahead of supply growth.

If you try and put wage-price controls on an economy where aggregate amount of money is expanding ahead of supply, and you try to keep them there, what you are in effect doing, the analogy is to turning up the pressure on a pressure cooker while trying to keep the lid on continuously. In the end, you are going to get an explosion.

Mr. ROSENTHAL. An explosion is recession?

Mr. LEWEN. The explosion is recession, and when you finally take wage-price controls off, you are going to get massive inflation.

Mr. ROSENTHAL. Assuming you are correct, and assuming you said that 90 percent of the economists in the country agree that the restriction of the money supply is the answer, why, do you think, isn't that done?

Mr. KATZMAN. I guess you as political leaders would have to help us identify who the people are who are gaining by the current rate of expansion in the money supply. There have got to be gainers; otherwise, the system wouldn't work that way. We know there are losers, but there have got to be some groups that appear to be gaining and who are unwilling to sacrifice their programs.

Mr. ROSENTHAL. Who is gaining?

Mr. KATZMAN. That is the question we would like to ask of you.

Mr. WILLIAMS. I probably agree with you. I thought economists would know that answer.

Mr. KATZMAN. Well, I suspect that every special interest would have its particular program it would not want to sacrifice. It would want to retain it in the budget—

Mr. ROSENTHAL. Let me just finish. Who is gaining? Labor is not gaining?

Mr. WILLIAMS. Are the teamsters gaining?

Mr. KATZMAN. Well, the question is, who would lose by reduction of money supply? Well, if it was my program that you were cutting out, if you were going to cut out, for example, aid to higher education—we don't get much—I would kick and scream. If the farmers were going to get their agricultural subsidies cut back, they would kick and scream, and you can go on and on and on.

Mr. ROSENTHAL. All of these programs are not a significant proportion of the money supply in this country—

Mr. KATZMAN. Well, the question is—

Mr. ROSENTHAL [continuing]. Restricted by high interest rates?

Mr. KATZMAN. Well, but you add them all together. For example, you have transfer payments, which are the largest element of the budget. If you reduced those, you would have people who were receiving social security payments complain—

Mr. ROSENTHAL. Do you know that maybe 60, 70 percent of the Federal budget is fixed, that there is no choice; social security payments, things like that?

Mr. KATZMAN. Well, it is fixed in the very short run; that is, Congress did raise social security schedules in the last couple of years. It is fixed today, but it is not fixed over a 10-year period. We are talking about a process that has built up over 10 years, and it is not a process that can be reversed readily; it is going to take years, I think, to reduce inflation. There is no way to reduce inflation next year.

Mr. ROSENTHAL. Food prices in Dallas in the last year have gone up as high or higher than any other part of the country. Has that had any significant effect around here?

Mr. KATZMAN. Well, it just means that it is more expensive to go to the grocery store. You wouldn't expect prices to increase in every item all around the country at the same rate. There is no reason to expect prices of everything to increase at the same rate.

Mr. ROSENTHAL. If I asked you what your recommendations are, one, two, three, what would you say?

Mr. KATZMAN. Well, I would say that the Feds should take a policy of reducing the rate of increase of the money supply. I would favor expenditure limitations at all levels, State, local and Federal Government.

Mr. ROSENTHAL. Expenditure limitations for police, fire, sanitation?

Mr. KATZMAN. Well, for example, in Texas—I am a new Texan. I was from Massachusetts and lived there most of my life. I was just astounded at the high quality public service I am getting for about one-half the price I was paying in Massachusetts.

Mr. ROSENTHAL. You think they are running government more efficiently here?

Mr. KATZMAN. Yeah, to a large extent, they are. One of my specialties is public finance, municipal, State and local finance, and I didn't believe it was possible. I am not saying that the level of public services is the same as Massachusetts, but it is 95 percent as good at half the price. The reason is, they are using more modern technology, fewer workers to do the job, and they are more serious; the professionals are more serious.

Mr. ROSENTHAL. Take unemployment insurance; if a person were unemployed in Massachusetts, how much would he get?

Mr. KATZMAN. I forget the number, but it was fairly close to what the going wage was. The incentives to not work were quite attractive compared to the incentives to take a minimum-wage job.

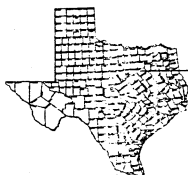
In Texas, there is a very poorly developed welfare system, as these witnesses testified, that unless you work, you starve and, unfortunately, that is a byproduct of having a poorly developed welfare system. A lot of people are on the verge of starvation.

However, the other part of it is, you have a low unemployment; people cannot afford to be voluntarily unemployed.

Mr. ROSENTHAL. Does anybody else have anything to say?

If not, the subcommittee stands adjourned.

[Additional statements submitted for the record follow:]



Community Services, Inc.

P. O. Box 612

Tel. 214/874-5697

Corsicana, Texas 75110

Created to *Service*BENJAMIN ROSENTHAL
RECEIVED

May 5, 1979

STATE _____ DOC # _____

REC # _____

MAY 14 1979

 NAME _____
 ADDRESS _____
 CITY _____
 STATE _____
 ZIP _____

Representative Benjamin Rosenthal, Chairperson
 House Subcommittee on Commerce, Consumer and Monetary
 House Office Building
 Washington, D.C. 20515

Dear Representative Rosenthal:

I was advised of your Subcommittee hearing in Dallas April 30, 1979 and I was not able to attend because of the impacts of inflation over the past 13 years. You see this is the result of more demands on our agencies to provide services at former levels with less and less resources to administer them. We have less staff assistance, less time to release staff to attend many worthwhile hearings and meetings where the interests of the public and our constituency should be represented, and less resources to continue services that are needed by the disadvantaged populations of the area.

Note that in 1967 our allocations from OEO (now CSA) was \$172,000 and in the present year in is only \$186,000.--. During that period of time inflation has has doubled. In the process we have deleted many administrative positions such as assistant directors, planners, evaluators; reduced services staff or tried to substitute with CETA wherever possible; and eliminated many services such as outreach, referral, followup and housing counseling. At the same time the area service coverage was expanded to 9 counties on the many special projects that Congress appropriates such as Emergency Energy Assistance, Weatherization, Summer Youth, Migrant/Seasonal Farmworker and other projects.

The facts speak clearly, the people are feeling the impacts, and yet not anyone seems to know or have the responsibility/initiative to manage the inflation problems. These are some specifics I want to mention for consideration:

- The Congress needs to put a stop to all the spending on useless activities such as HUD planning, COGs/, consultants, indirect costs to education/non-profits COGs/ and similar agencies, and the 20% discretionary spending by federal agencies. These are useless and produce no direct benefits to people.
- The loopholes in the recent Carter inflation guide lines need to be closed. For example, GM coming out with a warmed over Monza/Vega in the Citation as a new product that is exempt from the 7% increase limits.
- Congress needs to provide for a manageable system to manage the economic factors impacting on inflation such as interest rates, money supply, consumer protection, wage/price controls etc... Put a driver in control and responsibility. The present situation is like letting the Budwieser horses go in every direction and the economic wagon is going down hill by itself.
- Initiate a research/development program to make this nation self-sufficient in energy with renewable energy resources such as solar, water, hydrogen etc. within ten years, so as to free the people from dependence upon oil, gas, coal, nuclear sources alone as now.

I trust your Subcommittee can initiate steps to address these problems.

J. Vacek
 Jerome Vacek
 Executive Director

A Texas Non Profit Organization



OFFICE OF THE GOVERNOR
EXECUTIVE OFFICE BUILDING

WILLIAM P. CLEMENTS, JR.
GOVERNOR

May 1, 1979

The Honorable Ben S. Rosenthal, Chairman
Commerce, Consumer, and Monetary Affairs
Subcommittee
House of Representatives
Room 377, Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Rosenthal:

I regret that I am unable to personally attend the hearing to be held on May 3, 1979 in Dallas.

Please accept the attached letter to Alfred Kahn in lieu of my appearance. In the letter I have indicated areas in which Governor Clements is working to get at the root causes of inflation, including excessive government spending and inefficiency.

Thank you for inviting me to participate in your program. Please keep in touch with me about future developments in our Texas program. I will be glad to work with you and your committee in any way possible to aid in your anti-inflation efforts.

Sincerely,

Paul T. Wrotenbery, Director
Budget and Planning Office

cc: Jean Perwin

Enclosure

PTW:gg



OFFICE OF THE GOVERNOR
EXECUTIVE OFFICE BUILDING

WILLIAM P. CLEMENTS, JR.
GOVERNOR

April 20, 1979

Mr. Alfred Kahn
Advisor to the President
on Inflation
The White House
Washington, D.C. 20500

Dear Mr. Kahn:

Thank you for your letter communicating information about President Carter's Anti-Inflation Program. Governor Clements shares our nation's concern with inflation and is actively advocating objectives and programs which will contribute to solving this most critical problem.

As Texas' Governor, he is exerting influence upon Texas Legislators and agencies to increase the cost effectiveness of State government wherever possible. In addition to holding State employee salaries to an increase within the Presidents' guideline of 7%, he has set an objective of reducing the number of State employees over the next four years by 25,000 or a 16% reduction. He believes that inflationary conditions across the nation as well as in Texas point up the necessity for belt-tightening by everyone, and perhaps most importantly, by our Federal and State governments. The Governor's program includes the philosophy of retaining for government use only what is needed to meet its increased costs of providing essential services and returning any surplus tax revenue back to the taxpayers.

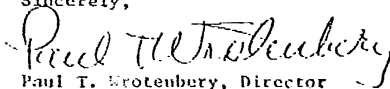
We are currently reevaluating state policies for the application review and expenditure of Federal funds in order to assure alignment with State and Federal objectives. I strongly support the efforts of the Office of Management and Budget to reform the grant-in-aid system. In this area of state government and others, we are considering possible ways to put automation to use.

Programs are now being formulated to introduce a strong Management By Objectives system coupled with improvement and expansion of our current Zero-Base Budgeting process. Through these programs Governor Clements is committed to promoting efficiency and accountability in Texas government.

We are considering the establishment of an Anti-Inflation Task Force as another step in strengthening the visibility of our efforts toward an overall Texas program.

I anticipate calling on you for assistance and appreciate the suggestions thus far received.

Sincerely,


Paul T. Wrotenbery, Director
Budget and Planning Office

PTW:lh

cc:Governor William P. Clements, Jr.

May 3, 1979

The Honorable
Benjamin S. Rosenthal, Chairman
Commerce, Consumer and Monetary Affairs
Subcommittee of the Government Operations
Ninety-Six Congress - Congress of the
United States - House of Representative

Members of the Hearing Panel:

I consider it a privilege to appear before this hearing to share with you the impact of inflation on the consumers, blacks, minorities and the poor, here in the Dallas Metropolitan area. I am Roosevelt Johnson, Jr., Executive Director of the Dallas Urban League.

For more than 60 years the National Urban League, Incorporated has attempted to serve the disadvantaged, black and other minorities across this country. For more than ten years this affiliate of the National Urban League has directed it's attention to the Dallas Metropolitan area. There is no doubt in our mind, that inflation in Dallas is placing an unwarranted burden and effects the poor and working people the hardest---price rises in food, health, housing and energy.

The Dallas Urban League's Housing Counseling Program is a good example of the negative impact on poor people in Dallas. We receive from H.U.D., more than 500 referrals monthly of persons representing families, who are two and three months behind in their mortgage payment. More than 50% lose their homes because they are unable to pay their mortgages and feed their children.

The Dallas Urban League Employment Program "CETA" is ineffective because inflation has paid its toll before we are able to train people for marketable skills to receive inadequate salaries. Ex-offender programs are in difficulty

because it is easier to live in prison than it is to survive outside the institutions. High school students are unable to cope with the work ethic because of no jobs, no money , etc.

The above kinds of standard is in effect contradictory to our learning in school about our American way of life. It gives me the impression that the most damaging effects of inflation lies in the existing, none-responsible dialogue. We often get the feeling that if inflation wasn't a problem, it would have to be invented. Inflation has been used as an excuse to cut Federal spending, to induce a recession and to put the poor working people and minorities in to an economic straightjacket. We can't have homes, services or jobs. Why? Because they'll be inflationary. We do not underestimate the importance of fighting inflation. It is first of all, a terrible tax on the poor, and second a stick aimed at-beating social programs.

We join the National Urban League, Inc., under the leadership of Mr. Vernon Jordan, in advocating, "that fighting inflation effectively does not conflict with meeting national needs and priorities". Continuous concentration on the demand in the battle against inflation, squeezes the economy, slows growth in personal incomes, induces unemployment and neglects urban housing, health and education needs.

The Urban League movement does suggest that special consideration be given the supply side. Housing costs are going sky high because there aren't enough dwellings to meet the needs of an expanding population. Health costs are going through the ceiling because of a health delivery system that does not meet the needs of the nation while remaining irrational and without accountability. Food and energy costs are affected by the structural makeup of those industries and by governmental actions that tilt the balance toward higher prices.

Cutting federal spending on jobs, on health, on housing, isn't going to have any effect at all on the inflation rate. A lower federal deficit is peanuts in an economy the size of this nation's.

And tightening the screws on the poorest among us won't shave a fraction of a percentage point off the inflation rate. All these actions will do is make the poor poorer, and survival more difficult and more painful.

Indeed, the ultimate cost of such policies, in terms of crime, dependency, health and mental breakdowns, and shattered aspirations will inflict far more damage on the economy than inflation.

So while inflation is a problem, we've got to guard against making the way we fight inflation an even bigger problem.

Inflation has been too big a problem for too long to expect it can be curbed by short-term measures. We should be taking a longer view, and work now to battle inflation on several fronts. Such steps would include:

- :Wage-price guidelines that are fair
- :Federal policies tilted toward increasing productivity and preserving real incomes.
- :Selected measures that limit costs in the key areas that hit family budgets hardest.
- :Increasing supplies of goods and services most prone to inflationary pressures.
- :Increasing the ability of poor and low income families to cope with rising prices through expanded employment opportunities.

Thank you very much

Roosevelt Johnson, Jr.
 Executive Director
 Dallas Urban League, Inc.
 2606 Forest Avenue
 Dallas, Texas 75215

[Whereupon, at 3:30 p.m., the subcommittee adjourned to reconvene at 10 a.m., Friday, May 4, 1979, in San Francisco, Calif.]

ADEQUACY OF THE ADMINISTRATION'S ANTI-INFLATION PROGRAM

(Part 2—Dallas, San Francisco, Sacramento, Detroit, Chicago, New York, Youngstown, and Washington, D.C.)

FRIDAY, MAY 4, 1979

HOUSE OF REPRESENTATIVES,
COMMERCE, CONSUMER,
AND MONETARY AFFAIRS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
San Francisco, Calif.

The subcommittee met, pursuant to notice, at 9:30 a.m., in the Ceremonial Courtroom, Federal Building, 450 Golden Gate Avenue, San Francisco, Calif., Hon. Benjamin S. Rosenthal (chairman of the subcommittee) presiding.

Present: Representatives Benjamin S. Rosenthal and Lyle Williams.

Also present: Peter S. Barash, staff director; Stephen R. McSpadden, counsel; and Jack O. Shaw, minority professional staff, Committee on Government Operations.

Mr. ROSENTHAL. The subcommittee will be in order.

The Commerce, Consumer, and Monetary Affairs Subcommittee is holding hearings in eight cities this month to learn about the impact of inflation on the day-to-day lives of Americans and the performance of regional Federal agencies and State and local officials in the fight against inflation.

Under the Rules of the House of Representatives, this subcommittee is assigned oversight responsibility for determining the effectiveness of those Federal agencies charged with combating inflation, namely the President's Council on Wage and Price Stability and the Council of Economic Advisers.

Earlier this year, the subcommittee held several days of hearings in Washington, examining the adequacy of the Federal effort. Those hearings raised questions as to the ability of the Council on Wage and Price Stability to effectively monitor price and profit margin increases in the economy. For example, one of the problems is that the current wage-price guidelines ignore the most inflationary sectors of our economy—energy, food, interest rates, and health care costs.

We are deeply distressed that consumer prices rose at an annual rate of 13 percent during the first quarter of 1979.

These regional hearings are being held because we believe it is vital that the Congress of the United States and other decisionmakers in Washington have available to them a firsthand record of the effects of

inflation on the lives of our citizens. We also want to examine the extent of cooperation and coordination between Washington inflation fighters and those working at the State and local levels of Government to fight inflation.

As soon as our hearings are concluded, the hearing record and a subcommittee report will be made available to the Congress and to the President.

Our first witness this morning is Mr. Matthew Finnigan of the Commission on Aging and his associates and colleagues.

Mr. Finnigan, we're delighted you could be with us. This is Congressman Williams of Ohio and I'm Congressman Rosenthal of New York.

STATEMENT OF MATTHEW FINNIGAN, HOUSING SPECIALIST, CITY OF SAN FRANCISCO, COMMISSION ON AGING; ACCOMPANIED BY ABE PAPKOFF, PROGRAM STAFF SPECIALIST

Mr. FINNIGAN. My name is Matthew Finnigan and I'm the housing specialist employed by the Commission on the Aging here in San Francisco. I have been asked to testify before this committee by its chairman, Benjamin Rosenthal.

Abe Papkoff, on my right, program staff specialist from the Commission on Aging, has accompanied me this morning to these hearings in case his area of specialized knowledge is needed to clarify in detail aspects of my testimony.

I intend to describe the housing problems and the inflationary squeeze the elderly are experiencing in San Francisco. And I will carefully explain how we at the Commission on the Aging assist the elderly in finding affordable low rentals.

Most requests for housing are from persons at the lower end of the income scale. The following facts are not something that I read somewhere nor something that I heard. They have happened to me, and they continue to happen to me each day and will no doubt continue to happen in the days to come.

Actually, to be able to assist or relocate any elderly persons into suitable and affordable housing is asking for a miracle. The housing shortage or crisis is fast becoming a threat to the health and well-being of all individuals, but especially the elderly.

San Francisco has the highest rental rates in the country for like facilities. However, we are doing something about the housing crisis and the elderly's request for affordable decent housing.

I am not sure whether the program we have developed is being used in any other section of the country. The request for assistance, if rated on a scale of 10, would show that 4 or 5 are elderly females, 3 or 4 are elderly males and an occasional couple.

Using the same scale of 10 would show 7 of the elderly persons are on social security or SSI, supplemental security income, with a total income approximately of \$329 a month. That is important, I'd like to repeat this. This is the total income that these people have, \$329 a month.

The reason for requesting relocations are many and varied. For instance, health, welfare, safety, financial, and evictions.

In following the rents, as an example of a few of the listings we receive, we find that in less than 3 years, rents that were \$85, \$95, and \$125, now the same units are \$125, 145, and \$175. These increases were not for improvements or services or benefits to the tenants. Nothing has changed only the new owners and the higher rents.

Usually there has been no renovating or remodeling. Usually when elderly clients on SSI insist on having a private real estate listing for units that rent between \$125 and \$145 these are the private or commercial rentals that we have available, they're supplemental type of rentals that we try to make available to them that are not on any other section aid or any of the housing authority types of grants, I point out to them that it is not economically sound to pay that amount from their limited income, this is very important, and they often tell me, "I can manage if I eat less and I don't buy new clothes." This is a frequent occurrence that I encounter each day as part of my duties as a housing specialist. This is what is actually happening in San Francisco. It shouldn't happen anywhere.

For good management and affordable rent, an individual with an income of about \$329 a month should pay approximately \$79 per month or hopefully be on a subsidy program of some kind. This is one of the solutions to the rent dilemma.

The rentals that I receive and offer are secured from realtors, leasing agents, apartment houseowners, and hotels. Our latest attempt to get low priced rentals is soliciting for vacant rooms in private homes. This is usually a private bedroom, share bath and kitchen and the rent will range from \$40 to \$125. In some instances, no rent is required. However, what is expected is a little housework or service as a companion or friend. In requesting a room in a private home, we attempt to screen the applicants as carefully as possible. We provide only the telephone number and a general description of the house and neighborhood. They must mention that they are being referred by our office, the San Francisco Commission on the Aging. Naturally, there is no charge for this service as we are a public agency. Unless our procedure is followed, the clients seeking such service do not receive any information such as names, addresses, et cetera. This is a security and safety measure.

A few of the hotels we list have a subsidy program and most will help tenants in applying for social security certification as to income and clearance through the housing authority here in this city. Subsidized rents do not exceed 25 percent of their total income.

Most hotels do not allow any cooking and as a result of this rule, the renters may—

Mr. ROSENTHALS. Mr. Finnigan, let's put your whole statement in the record. Is the situation getting better or worse?

Mr. FINNIGAN. If there is a possible chance for it to get any better because of the situation and the available housing, we're interested in it because our information and referral in the Commission on Aging is housing.

Mr. ROSENTHAL. Are any of these housing costs covered by any local regulation or Federal regulation or State regulation?

Mr. FINNIGAN. I have it noted.

Mr. ROSENTHAL. Why don't you just tell it to us.

Mr. FINNIGAN. Beg your pardon?

Mr. ROSENTHAL. Can you tell it to me?

Mr. FINNIGAN. OK. Some of the types of renting that I bring out and then the fact that we have to provide this type of high cost rental. I say unfortunately, the San Francisco Housing Authority is not accepting any requests for subsidized housing. The senior citizen housing program has a 2- or 3-year waiting period. If the elderly are to be helped, the rent subsidy program should be dramatically expanded, especially that part of the program that permits the recipients to find and rent his own apartment in—

Mr. ROSENTHAL. Mr. Finnigan, are there any controls on housing here in your area?

Mr. FINNIGAN. Rent control?

Mr. ROSENTHAL. Of any kind.

Mr. FINNIGAN. I think Mr. Papkoff could probably expand on that.

Mr. ROSENTHAL. What is your name?

Mr. PAKKOFF. My name is Abe Papkoff. I'm on the staff of the San Francisco Commission on Aging. My area is housing, legislation, employment, and other factors.

There is nothing locally that serves the elderly or any renter in the sense of controlling rent or in determining the effects of inflation.

Mr. ROSENTHAL. Are there any rent controls of any kind, Federal, State, local, anything here at all?

Mr. PAKKOFF. There is nothing except a recent adopted temporary rent freeze, which is for 2 months. After 2 months, there's a committee now working which allegedly will adopt legislation to address itself to the problem.

Mr. ROSENTHAL. And how much has housing gone up in the last year or so in this community?

Mr. PAKKOFF. There are various statistics on this, but we estimate that the housing component in San Francisco has gone up faster than the general Consumer Price Index.

Mr. ROSENTHAL. You have no projected numbers?

Mr. FINNIGAN. Well, the only ones that we have are the people that are on from \$85 to \$125. For instance, I've been in this now 3 years and originally when we were getting rentals from realtors, it would run \$85, \$95, and \$125. That same unit today is \$125 and \$145. And I say there were no improvements of services or benefits to the tenants, nothing has changed, only the new owners and the higher rent.

Mr. ROSENTHAL. Mr. Finnigan, you say some of the people told you that they're willing to pay the high rent and they'll do without food and clothing?

Mr. FINNIGAN. Right.

Mr. ROSENTHAL. Is that a common occurrence?

Mr. FINNIGAN. Beg your pardon?

Mr. ROSENTHAL. Is that common for them to tell you that?

Mr. FINNIGAN. What else can they do?

Mr. ROSENTHAL. You tell me. That's why we came to San Francisco.

Mr. FINNIGAN. They're willing to accept the—

Mr. ROSENTHAL. Hold it, this lady's raising her hand. Tell us who you are.

Ms. DARNELL. I'm Edith Darnell. My rent now is \$180. I live in the tenderloin because I'm compelled to live there. My total income is

approximately \$330 a month. I'm compelled to live in the tenderloin for lower rent; \$180 a month plus my gas and utilities, my telephone and my laundry and my daily newspaper brings me to \$200 a month. My food and the little extras and the little bit that I have put aside for future savings like for a television takes out everything that I have. May I tell you about the food prices and how I live?

Mr. ROSENTHAL. That's why we came here. Tell us.

Mr. FINNIGAN. What have they told you that your rent is going to be?

Ms. DARNELL. My rent will be increased as soon as the rent freeze is over.

All right, my diet, since meat prices went up. Originally, chuck steak was 89 cents a pound at the Safeway and Lucky, and I lived on chuck steak. I bought the whole piece, and I lived on that for 1 week, one chuck steak 1 week or 10 days, cut it up in little pieces, made steaks out of it and stew out of it, as you do. Carrots are 19 to 21 cents a pound. I lived on carrots and canned vegetables. Chuck steak now is up to \$2.49 to \$2.69 a pound. I switched to chicken. Chicken is now 52 to 58 cents a pound at Lucky and Safeway. I buy one small chicken, a 2-pound chicken a week that lasts me again a week or 10 days by cutting it up, doing my own butchering, cutting it up, having a leg a meal, a thigh another meal with rice or with noodles and the fricassee sauce. I'm a good cook, and I stretch that chicken out that costs me \$1.50 to \$1.70 for a 2-pound chicken, whatever it comes to, and that's what I live on for the week. I do not buy clothes. I have not gone to a movie for 4 or 5 years, I cannot afford it.

What else would you like to know?

Mr. ROSENTHAL. Do you get any help from anybody else, family or anything?

Ms. DARNELL. I have supplemental, my social DARNELTY and my supplemental insurance.

Mr. ROSENTHAL. For a total of?

Ms. DARNELL. For a total of \$330.

Mr. ROSENTHAL. If the rent goes up at the end of the 2 months, how is that going to affect your lifestyle?

Ms. DARNELL. Already people say that senior citizens are paying out one-half of their income for rent. My rent is two-thirds my income in order to have a clean place, a decent front entrance, a decent hall that's clean and no cockroaches and anybody that knows the tenderloin knows you don't find a clean place with a clean hall and no cockroaches. And even now, there's no heat. The heat's been only off and on a manual control since—

Mr. ROSENTHAL. What is the tenderloin? I never heard of it.

Ms. DARNELL. The tenderloin is a certain, almost isolated area that starts at Erie and it goes down to Market this way [indicating], it's kind of a triangle where mostly the drunks and derelicts and prostitutes and prostitution are found on every corner. It's very undesirable looking, unclean, and unhealthy living for the most part.

Mr. ROSENTHAL. Why don't you leave then?

Ms. DARNELL. I told you, that's the only place that—I'm living here because I have to. I moved from a better area because that's the only affordable rent that I can find.

Mr. WILLIAMS. What's the percentage of seniors living in this area?

Ms. DARNELL. I don't know.

Mr. PAPKOFF. There are about 17,000 seniors living in the area which means about 60 percent of the population.

Mr. WILLIAMS. The tenderloin?

Ms. DARNELL. That's our colloquial expression for the very—

Mr. WILLIAM. Excuse me. About 60 percent of the people living in this section that you call very undesirable section are seniors?

Ms. DARNELL. And the rest are derelicts.

Mr. WILLIAMS. Has that traditionally been true or has that developed in the last few years?

Mr. PAPKOFF. That's developed over the last 10 years. Traditionally the tenderloin has always been a place for elderly people to live before the crime came into it, before the dope, before the narcotics and prostitution, and they are being trapped there. They have nowhere else to go because the tenderloin is the place of last resort in this city. They are squeezed out of the desirable rental areas by the rent increases and they go to the tenderloin and it's there they are trapped.

Mr. WILLIAMS. So there's been a marked increase in the number of senior citizens moving into the area?

Mr. PAPKOFF. In the past 2 or 3 years, there's been a marked increase coming from other parts of the city because that's the last place they can go outside of finding another place.

Mr. WILLIAMS. I asked this question in Dallas, I would like to ask you now. Are there individuals that you're aware of, including yourself, who, in the last few days before the next check arrives, would not have money to buy food and other necessities?

Ms. DARNELL. In my case I really can't say. I stay by myself and I never run out of money because—someone mentioned why don't you save your money when you're young. That's another thing I want to say. I saved a lot of my money. The money that we saved when we only made \$7.50 a day through the war and all the way up to the seventies and the last wages I got was \$12 a day when people are now making \$30 a day. That money since the seventies went with inflation so that that's the reason I'm forced to live on SSI.

As to this tenderloin business, I wish you'd walk down it. There's trash piled up along every curb and gutter. There's male and female prostitutes on every corner. Another thing I'd like to point out, the older citizens are forced to buy at these so-called Mom and Pop stores that are spoken of affectionately. I do not speak of them that way. They are run by Arabs mostly right now. I have to walk 8 blocks now to the Safeway or to the Lucky to get my groceries. Most of these people in the tenderloin cannot walk more than 2 blocks. They have a senior escort service that takes them to the bank because it's unprotected.

Mr. ROSENTHAL. Is it like that during the day?

Ms. DARNELL. It's that way day and night. You need an escort to take, for these people to take them to the bank, to take them to wherever, the hospital, wherever they need. It's a scary neighborhood. At night, another thing, at night I do not go out at night. After 7 o'clock at night, one does not go out.

To get back to these Mom and Pop stores so-called, they're mostly run by Arabs. Their prices are 2 to 3 times the prices for groceries that I quoted and their material is not choice and it's not satisfactory.

Mr. WILLIAMS. How would you compare the situation today to a couple of years ago?

Ms. DARNELL. I don't know. For me it's always been difficult since I've been on this. When I worked for myself, it was different. I was more independent. But having to live on this substandard income, it would really be sufficient. I can remember when \$200 a month would have been a generous substantial amount for me to live on and right now that's what hurts, to think that I could have kept my home if I had anything like this amount to live on. But I had to sell my home and sacrifice other things, my furniture and everything else, because my money was lost due to inflation.

Mr. WILLIAMS. Mr. Finnigan, is your agency a monitoring agency for situations like this?

Mr. FINNIGAN. Well, so far as the information or referral section of it, we cover all categories, it's for the elderly, it's the Commission on Aging of the HEW. It has clothing, for instance, education, employment, finances, food, housing, legal, transportation, veterinary. We have a Gold Card system of discounts for the elderly and we try to cover all aspects of it. It's beginning now to be a problem in all areas. I mean transportation, for instance.

Mr. WILLIAMS. The action that you spoke of earlier, a rent freeze, I believe was your term, is that an effort of your agency putting pressure on local government?

Mr. FINNIGAN. That's the general theme throughout the city.

Mr. WILLIAMS. How did it come about?

Ms. DARNELL. Organized tenant organizations.

Mr. PAPEROFF. I would like to respond to that also. Our agency was one of the leading forces in contributing to this freeze, through direct propositions to the board of supervisors, through participating with community groups, and so forth.

Ms. DARNELL. About that, they had hearings for this rent freeze at City Hall every week for 3 different weeks, and I attended those meetings and I saw the shambles the supervisor meetings came to before each time; there was delaying, delaying tactics until finally Gonzalez, the supervisor, had a stronger rent control bill introduced and they watered it down, until finally it ended up with a 2-month rent freeze starting April 15, which wasn't even 2 months because already they passed it after April 15, and it will last till June 15, and at that time the landlords will make up for lost time and get their rent raised before a rent ordinance, such as they have in Los Angeles and Santa Barbara; this will come into effect.

Mr. ROSENTHAL. How far is this tenderloin district from where we are now?

Ms. DARNELL. You are on the edge of the tenderloin right now, starting at Golden Gate and you walk up Hyde, or starting at Larkin, Hyde, Mason, Leavenworth, any cross street, Ellis, Eddy, Turk; they are terrible and I wish you would walk down them.

Mr. ROSENTHAL. Maybe we will this afternoon.

Ms. DARNELL. That's within a six-block walk.

Mr. ROSENTHAL. Mr. Finnigan, I have just one question. Are you the only person with the city of San Francisco who works on housing for the elderly?

Mr. FINNIGAN. That are actually able to produce housing other than through the San Francisco Housing Authority, yes.

Mr. ROSENTHAL. You're the only person who does this?

Mr. FINNIGAN. That I know of, yes.

Mr. PAPKOFF. Well, I think Mr. Finnigan's referring to information or referrals. There are groups in San Francisco who are deeply concerned and involved in housing, and many nonprofit groups also have a housing referral setup. However, we are in a better position to handle it for the elderly.

Mr. FINNIGAN. Going right back to your question, our records show that for the month of April 1979, there were 286 telephone requests for housing assistance, 286, and 189 clients came to the office in person seeking help and information. As a result of these requests for housing referrals, 44 senior citizens were effectively relocated. That's a very, very low percentage of the people.

Mr. ROSENTHAL. Yes, ma'am; you wanted to say something.

Ms. DARNELL. Yes; may I add to that? I'm looking for a place desperately right now. You asked why do I live here? Let me tell you how many places are in the paper each day in the money that I can afford, which is \$150 to \$170 a month, which I can allow out of my income for rent. There are two or three places, ads each day in the Chronicle or the Examiner and mostly by the time I get to answer them, which is usually immediately, they are either taken or they have been run the day before or, anyhow, there are two or three listed in the paper. That's how I happen to go to them, because I was evicted from my place because I had a fight with the landlord Saturday a week ago because he would not have any heat in the place. At \$180 he asks me why don't I turn on my oven if I want heat.

Mr. PAPKOFF. Let me show you how this happens. This is the daily paper, San Francisco Chronicle. If you'll look in the announcements, you'll see classified ads, "Speedy eviction service to Bay County, area landlords."

Ms. DARNELL. There are three of those.

Mr. PAPKOFF. Another one, "Eviction aid for landlords." In the weekend edition, you'll find four or five. This is a big business in the bay area, evicting poor people, especially old people.

Mr. ROSENTHAL. Where is the city government, the municipal government, in this situation?

Mr. PAPKOFF. The city government can't stop it because the law is on the side of the landlord.

Ms. DARNELL. The sheriff is out immediately in 5 days.

Mr. PAPKOFF. The tenant's rights in this city and in this State are rigged in favor of the landlords, and there are no two ways about it. There is currently legislation submitted in Sacramento to attempt to remedy this, but it's getting nowhere because the California Housing Council, the big lobbyist for the real estate and developers, are in the saddle.

Mr. WILLIAMS. Just one more question. Within this monthly payment, all the utility costs are in there?

Ms. DARNELL. They're extra.

Mr. WILLIAMS. They're extra?

Ms. DARNELL. Utilities are extra, my phone is extra, my newspaper, my laundry, and add that up; it comes to just pretty nearly \$200.

Mr. FINNIGAN. In the small claims courts, the high percentage of tenant-landlord issues—and that's what's happening in small claims court, and an average of evictions through the San Francisco Municipal Court shows a record of about 30 a month.

Mr. ROSENTHAL. Thank you all very, very much. Maybe we'll take the walk—why don't you tell Mr. Barash where you live. Maybe we'll take a walk there this afternoon when we finish over here. Would you object to that?

Ms. DARNELL. Right out loud or privately?

Mr. ROSENTHAL. Tell him privately. You don't have to do it out loud.

Thank you all very, very much.

[Mr. Finnigan's prepared statement, with attachments, follows:]

City and County of San Francisco

Commission on the Aging



Date: May 4, 1979

TESTIMONY OF MATT W. FINNIGAN,
 Housing Specialist
 Commission on the Aging
 before the
 Commerce, Consumer, and Monetary Affairs Subcommittee of the Committee
 on Government Operations
 on May 4, 1979
 at the U.S. Courthouse and Federal Building
 San Francisco, California

"Good morning. My name is Matt W. Finnigan and I am the Housing Specialist employed by the Commission on the Aging here in San Francisco. I have been asked to testify before this committee by its chairman, Congressman Benjamin S. Rosenthal.

"Abe Papkoff, Program Staff Specialist from the Commission on the Aging has accompanied me this morning to these hearings in case his area of specialized knowledge is needed to clarify in detail aspects of my testimony.

"I intend to describe the housing problems and the inflationary squeeze the elderly are experiencing in San Francisco. And I will carefully explain how we at the Commission on the Aging assist the elderly in finding affordable low rentals.

"Most requests for housing are from persons at the lower end of the income scale. The following facts are not something I read somewhere nor something that I heard. They have happened to me. And they continue to happen to me each day and will no doubt continue to happen in the days to come.

Actually, to be able to assist or relocate any elderly persons into suitable and affordable housing is asking for a miracle. The housing shortage or crisis is fast becoming a threat to the health and well-being of all individuals, but especially the elderly.

"San Francisco has the highest rental rates in the country for like facilities. However, we are doing something about the housing crisis and the elderly's request for affordable decent housing.

"I am not sure whether the program we have developed is being used in any other section of the country. The request for assistance if rated on a scale of ten would show that four or five are elderly females, three or four are elderly males and an occasional couple.

"Using the same scale of ten would show seven of the elderly persons are on Social Security and SSI. (Supplemental Security Income) with a total income approximately of \$329.00 monthly.

"The reason for requesting relocations are many and varied. For instance, health, welfare, safety, financial and evictions.

"In following the rents, as an example of a few of the listings we receive, we find that in less than three years, rents that were \$85, \$95 and \$125 for the same units are now \$125, \$145 and \$175. These increases were not for improvements or services or benefits to the tenants. Nothing has changed only the new owners and the higher rents.

"Usually there has been no renovating or re-modeling. Usually when elderly clients on SSI insist on having a private real estate listing for units that rent between \$125 and \$145 I point out to them that it is not economically sound to pay that amount from their limited income, they often tell me, "I can manage it if I eat less and I don't buy new clothes." This is a frequent occurrence that I encounter each day as part of my duties as a housing specialist.

"For good management and affordable rent, an individual with an income of about \$329 monthly should pay approximately \$79 per month or hopefully be on a subsidy program of some kind. This is one of the solutions to the rent dilemma.

"The rentals that I receive and offer are secured from realtors, leasing agents, apartment house owners and hotels. Our latest attempt to get low priced rentals is soliciting for vacant rooms in private homes. This is usually a private bedroom, share bath and kitchen and the rent will range from \$40 to \$125 monthly.

"In some instances, no rent is required. However, what is expected is a little housework or services as a companion or friend. In requesting a room in a private home, we attempt to screen the applicants as carefully as possible.

"We provide only the telephone number and a general description of the house and neighborhood. They must mention that they are being referred by our office, The San Francisco Commission on the Aging. Naturally, there is no charge for this service as we are a public agency. Unless our procedure is followed, the clients seeking such service do not receive any information such as names, address, etc. This is a security and safety measure.

"A few of the hotels we list have a subsidy program and most will help tenants in applying for social security certification as to income and clearance through the Housing Authority here in this city. Subsidized rents do not exceed 25% of their total income.

"Most hotels do not allow any cooking and as a result of this rule the renters may be eligible for a food supplement from social security which comes to about \$33 a month.

"We use any and all media to request listings and have found that if properly informed, newspapers, radio and television stations are most cooperative in helping us to locate housing for our clients.

"Certain private realtor's rental division's will waive any rental fee to our elderly clients once they present a letter of introduction provided by the Commission on the Aging. This is a special arrangement that I developed and is a innovation that has helped many elderly clients find the type of housing that they could afford.

"My records show that for the month of April 1979 there were 286 telephone requests for housing assistance and 189 clients came to the office in person seeking such help and information. As a result of these requests for housing referrals, 44 senior citizens were relocated.

"We have a follow-up system to determine rental satisfaction on our referrals. Our records show complete data on our clients as well as which Supervisor represents them in City Hall. San Francisco has an extremely high percentage of renters (approximately 70%) and the 1970 census figures show that of the total population of this city, 140,000 are elderly.

"San Francisco also has a high percentage and variety of languages and therefore much of the literature distributed from our office in regards to housing information is in Chinese, Japanese, Spanish and Tagalog. The diversity of languages contributes in a big way to communication breakdown between tenants and landlords.

"The buying and selling of rental units, as much as three times a year and the resulting rent increases with each sale is one of the reasons the elderly request a move due to the simple fact that they cannot afford the rent raises and still have money for food and other necessities. They are unable to afford the rent raises regardless of the reason for the rent increase.

"Records from the Small Claims Court list a high percentage of tenant-landlord related issues. An average of evictions through the San Francisco Municipal Court show a record of 30 per month. Tenant and landlord disputes are often caused by retaliatory evictions, poor and unsanitary maintenance and also poor security.

"The elderly are reluctant to complain to the landlord. There is a truly traumatic effect upon an elderly person when he or she is faced with eviction. Many feel completely helpless and have no where to turn for much needed emotional support and help.

"Outside of what I have described there is very little we are able to do to cope with the housing and inflationary squeeze.

"So far, the most practical available source for the elderly to get out of this rent crunch is a subsidy program of somekind. The primary source for this type of much needed assistance comes through HUD and the San Francisco Housing Authority. However, the private sector has on occasion contributed to limited subsidy plans for elderly clients. Through my office at the commission I was able to inform my clients that one of the largest realtors in California would take off 50% of the market price of apartments on one year lease agreements. These apartments were located in prime locations and featured many recreational opportunities at no extra cost. This was one of our most successful ventures in dealing with the private sector in securing housing for elderly clients.

"Unfortunately, the San Francisco Housing is not accepting any requests for subsidized housing. The Senior Citizen Housing Program has a two or three-year waiting period.

"If the elderly are to be helped, the rent subsidy program should be dramatically expanded, especially that part of the program that permits the recipient to find and rent his own apartment in existing units.

"I wish to thank the members of this committee for hearing my testimony and will be very happy to answer your questions. I also wish to present a senior citizen who has undergone the rigors of what I have described here this morning in her quest for decent housing at an affordable price. Again, I thank you for this opportunity to testify before your committee."

City and County of San Francisco Commission on the Aging

February 23, 1979

Gilbert H. Boreman
 Clerk of the Board
 Board of Supervisors
 City Hall - Room 235
 San Francisco, CA 94102

Dear Mr. Boreman:

RE: Your letter of 2/14/79

We appreciate the concern of Supervisors Renne, Hutch, and Molinari in reference to the truly horrendous hardships imposed upon elderly tenants because of the cycle of massive rent increases. Indeed, we are encouraged by your letter to hope this presages a commitment by the Board of Supervisors to take legislative action to protect the interests of the elderly.

The crux of the problem, as we see it, is the failure of the public jurisdiction and its relevant agencies to perceive the emergency nature of what is happening to the elderly renter in the current housing crisis. There is a failure to understand and respond to the fact that the elderly, as primary victims of rent gouging by intransigent landlords, are in need of emergency measures to protect their human rights. They need the direct intervention of government not only to protect their meager fixed income base, but often as a matter of life and death; many elderly persons do not recover from the trauma of forced relocation.

What rights do senior citizens have in matter of excessive rent increases? The same rights as the general population: "pay the rent or get out." The law, as you may know, makes no special dispensation for the elderly in the matter of rent payments or in landlord-tenant relations in general. As Anatole France once wrote - "The law in its awesome majesty provides that the rich and the poor have the equal right to sleep under a bridge at night." Landlords do not hesitate to apply this equality before the law principle when it comes to ousting an elderly tenant; the legal eviction process is freely employed by landlords regardless of the tenant's age.

We have reported through various media that what amounts to a "hidden holocaust" is being conducted against the elderly tenant to enforce higher rents and to "seize" rental property that has been targeted for speculative purposes. The only "right" a tenant has when faced with an untenable rent increase is to try negotiating the issue with the landlord or, if forced to move, seek an extension of time beyond the

the usual 30-day statutory period. Obviously this slender hope depends upon the "goodwill" of the landlord, which is to say that the tenant has no legal protection whatsoever against any kind of rent increase the landlord wishes to impose or against the inexorable mechanism of eviction. Every agency in the city offering housing counseling and referral services to the elderly, including the Mayor's Citizen Assistance Center and the San Francisco Commission on the Agings Information and Referral Housing referral service, is faced with the sobering fact that the law is on the side of the landlord (see California Civil Code 1946 on "unlawful detainer" action against the tenant, and California Civil Code 1947 on the question of prompt payment of rent).

The failure of Proposition 13 to bring the renter relief as promised by proponents of the measure clearly indicates the need for some form of rent control. In Los Angeles the City Council instituted a rent freeze this past October 1st and recently extended it to April 30, 1979 to allow time for writing a so-called "soft control" law permitting rent increases of only 7 per cent, or more under certain circumstances. Undoubtedly, you are aware of a similar proposal submitted in San Francisco by Supervisor Gonzales (File No. 349-78-1) which provides for a 12-month moratorium on rent increases and a rollback of rents to the May 31, 1978 level.

An over-inflated rent structure with its outrageous rent raises leveled against the elderly obviously are interlinked with conditions of the general housing market, the low vacancy factor and with the general economy. The enclosed statements on short-term and long-term programs address themselves to these factors. They were presented to hearings held by the U.S. Senate Special Committee on Aging and the California Commission on the Aging. Included also is a 13-point program from the draft of our proposed 1979-80 Annual Area Plan which is intended as both a policy statement and workable conceptual plan. We believe it merits close and serious attention by the Board of Supervisors.

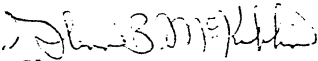
The situation you describe in your letter, however, requires immediate action. We propose the following measures as an urgency program:

- 1) The Mayor and/or the Board of Supervisors should declare, proclaim or announce in whatever form is appropriate that an emergency situation exists in the field of rental housing for the elderly, and set up a Task Force on Senior Housing to deal with the problem.
- 2) Adopt the Gonzales ordinance for a 12-month rent freeze and rent rollback to provide tenants with immediate relief from inflationary pressure, and to provide a breathing period in which to devise durable solutions.

- 3) Suspend indefinitely all eviction procedures against elderly persons.
- 4) Provide all elderly tenants holding leases with the option of automatic renewal at the existing rent, or the rollback rent should this be enacted.
- 5) Establish a direct rental subsidy program for the lowest income segments of the elderly population.

I trust these proposals and the enclosed material will assist the Supervisors in determining the true nature of the housing crisis facing the elderly and encourage the intervention of local government in their behalf.

Sincerely,



Glenn B. McKibbin
DIRECTOR, AGING PROGRAMS

Enclosures

cc: Supervisor Renne
Supervisor Hutch
Supervisor Molinari
Rev. James Clark Brown,
President Commission on the Aging
Supervisor Gonzales
Supervisor Pelosi

CITY AND COUNTY OF SAN FRANCISCO



BOARD OF SUPERVISORS

CITY HALL, SAN FRANCISCO 94102 • TELEPHONE 558-3184

February 14, 1979

Mr. Glenn B. McKibben
Director
Commission on the Aging
1095 Market Street
San Francisco, California 94103

Dear Mr. McKibben:

I am writing at the direction of Supervisors Louise H. Renne, Ella Hill Hutch and John L. Molinari concerning problems faced by the elderly, relative to massive rent increases and related concerns.

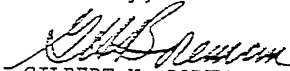
The Supervisors have recently received information from a good many senior citizens indicating that they are faced with recent massive rent increases issued on a 30-day notice basis. The rent increases in many cases fall upon elderly persons who have been residents in apartments for many years. The sudden confrontation of what appears to be exorbitant rent increases on short notice has created completely untenable situations for many of the elderly citizens involved.

The Supervisors would appreciate receiving information from your office as to the rights of senior citizens in such cases as well as any remedies which may be available to them in dealing with this situation.

Additionally, the Supervisors would appreciate learning of any proposed legislation or other solutions which the Commission on Aging have considered or may have under consideration at this time regarding the problem of massive rent increases to elderly citizens on short notice.

Your early response to the Supervisors' inquiry would be most helpful.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gilbert H. Boreman".

GILBERT H. BOREMAN
Clerk of the Board

Mr. ROSENTHAL. The next witness is Pat Coates.
It's nice to have you with us this morning, Ms. Coates.

**STATEMENT OF PATRICIA COATES, EXECUTIVE DIRECTOR, FOOD
ADVISORY SERVICE**

Ms. COATES. Good morning.

Can you hear me? That's a tough act to follow, but one that's dear to my heart.

My name is Pat Coates. I'm the executive director of Food Advisory Service, and we are a nonprofit food distribution program for the elderly. We have a program within the bay area currently serving senior citizens in seven out of the nine bay area counties. We have well over 85 sites. We've opened a Los Angeles office and currently in Hawaii.

Now, this is amazing because we are not a Federal or a State subsidized program. When I say private nonprofit, that's exactly what I mean.

How do we function? Not easily. What you've heard here about the elderly is very true. When you hear people over 65—in this State 55 is elderly—tell you how severe their problem is regarding their housing, transportation, their medicals, their food, it's a crisis situation. Some of you who are isolated in Washington don't realize how terrible this situation is really becoming.

When I say that we feed over 10,000 senior citizens in California fresh food, this is why we started. My partner Sandi and I, you can see from the written testimony, who we are and what we are, were basically housewives who, many years ago, became quite concerned over what we saw in the supermarkets regarding our family, the poor quality, the high cost, so we started a food cooperative for families. While we were involved in this, we discovered a headline, "Senior citizens forced to eat dog food," so we held our own little subcommittee hearing and we investigated. We found out that it was worse than that. You have a whole social sector in this country who are forced to live below poverty level. And it is true; in many of our areas, they do eat garbage, they do eat dog food, they eat food that is not nutritious.

We decided to do something about that. Of course, we were not too popular when we told our husbands that we were going to set out to help the world's problems. We rented a warehouse here locally in the bay area, and there began a long train of political acknowledgments, learning how to do proposals. There are currently in the United States no Federal or State moneys for fresh food. Now, your title VII hot meal program is heavily funded, in California \$26.5 million, yet that amount serves less than 2 percent of our State' elderly. Senior citizens must cook for themselves. They have dietary problems that title VII does not address itself to. It's a good program, but not the end to all, be all.

In the Midwest, for example, you should be thinking about freeze dried and frozen food programs. Yet when we came to Washington last year and tried to convince many of you that the need of our elderly in the food line was critical, we did not receive much compassion.

Now, it's going to become worse. In the State of Hawaii, for example, we recently opened an office. Food costs soared there 13.8 percent; produce is the highest.

Mr. ROSENTHAL. Food costs in San Francisco have gone up 14.2 percent.

Ms. COATES. Right. But in Hawaii you have a unique situation. You have isolation. You have shipping costs, and so many of the seniors there who have gone there to retire, they think there is no place else for them to go. They go there for the weather.

Let's get back to the bay area. I mentioned Hawaii only as a reason why we opened there. It will become more obvious when I tell you what happened here in the bay area. Because we were not funded and because the need was increasing, we decided we had to find a way to subsidize ourselves, so we opened a second nonprofit corporation as a packaging plant. In that corporation we had the disadvantaged, juvenile and adult ex-offenders, mentally, physically handicapped, and senior citizens themselves. We take them off welfare rolls and we employ them in the packaging plant, which is nonfood. This is like cleaning audio headsets for airlines. The small meager profits from this operation go back into the food program.

If we had stayed with 2,000 senior citizens served in this bay area, we would probably be self-sufficient, but we're feeding well over 8,000, and growing. Many are the times we become frustrated in this service. We had six vans trying to serve 8,000 people on a daily basis. Our vans break down. Our food costs have soared because we are dependent upon the wholesalers. The middleman is getting way too much, and our senior is desperate at the other end. We buy an apple for 10 cents from the produce terminal, it goes to the senior for 10 cents; not very good business. We can't stay alive much longer that way, so we have been investigating going directly to the California grower. He, too, is in trouble. He says he's not making it. The elderly consumer can't afford to buy. It's pretty obvious who is making it.

So now we're trying to buy directly from the grower in the valley regions of California, bringing it to our warehouse in San Francisco. But even though we serve thousands of seniors here, the market still wasn't large enough to make this viable financially, so we went to Washington again and said, "Hey, we need help. We're trying to prove to you that it can be done and we're doing it on our own. What can you do?" "Well, you're doing a real good job, Pat and Sandi, for two little housewives in the soft social area." They call the San Francisco Bay area a soft social area. "Do it in a hard area." "Where is that?" "Well, Los Angeles."

It would be impossible to make this program function in Los Angeles. So we set up an office in Los Angeles, where we're currently feeding 2,000 seniors a week. We have 25,000 seniors on standby because we have only one van down there. What we proposed to do was prove to Washington and the city fathers in Los Angeles that it can be done. Who is going to help us? Proposition 13 came through and was passed. OK, the taxpayer is saying, we no longer find it viable to support social service programs. Government is saying, "We're cutting back. We can no longer pack the load." So who is going to pack the load or assist the load of old people, children, people in trouble?

We at Food Advisory Service have many suggestions, and it's all called commonsense. Private sector has long been at odds with Government and it has been very helpful to us, probably because it admires the fact that without Government assist, we are trying to service as many seniors as we possibly can. If Government and private sectors

would kind of learn to get along, the private sector would pick up the tab. One of those areas might be to investigate very seriously the effect of imposing further tax restrictions on your corporations, giving them, instead, further tax incentives, only if those incentives were to go directly back—

Mr. ROSENTHAL. Tell me a little bit more about the people you feed, the people you sell to.

Ms. COATES. The people I feed are hungry. You heard the woman here trying to live on \$329. It's impossible. Could you live on \$329? The rents are exorbitant. They're forced to live in below poverty level. And it's very true, the first thing that they eliminate is food, nutritious food. They try to scrimp on everything they can find in order to pay their rent.

Mr. WILLIAMS. Who is making the money on the food? You mentioned you know who's doing it. The farmers were in Washington not too long ago and they said it wasn't them.

Ms. COATES. If the farmer is not making the money and the elderly consumer and/or any of us as consumers on the other end are telling you it's difficult, there again use common sense. It's pretty obvious who's making the money. It's the middleman. That's why we are cutting out the middleman and going directly to the farmer. We are saying to the grower we have an outlet, you have the goods, let's get together and we're meeting with terrific success. But we needed Los Angeles and Hawaii to link this up because the name of the game in direct marketing is size; it's not viable to the grower to be bringing food to you at great distances unless you can purchase a large amount. We are not a Safeway or a Lucky Discount chain. We are two crazy ladies trying to feed a lot of little hungry old folks.

Mr. WILLIAMS. Do you have a warehouse operation?

Ms. COATES. We have a warehouse in Brisbane just south of San Francisco and we have the two nonprofits there.

Mr. WILLIAMS. Who pays those fees?

Ms. COATES. We pay them out of the packaging plant, anything that we can get.

Mr. WILLIAMS. You said you sold the food—

Ms. COATES. At cost.

Mr. WILLIAMS. If an apple cost you 10 cents, I think was your term, that's what it costs the seniors.

Ms. COATES. Right.

Mr. WILLIAMS. How can you pay someone to package it?

Ms. COATES. Well, we don't package the food. We buy it from the terminal, bring it back, resort it and it goes out in brown boxes. This is the no-frill package, and we pay for our help out of the packaging plant.

Mr. WILLIAMS. How many employees?

Ms. COATES. Right now in the packaging plant we have over 100. But it takes less than 20 employees to service 8,000 seniors in need of food. We have become quite a model for others to emulate.

Mr. ROSENTHAL. I just want to ask you one final question. You say you went to Washington. Who are the people you saw there?

Ms. COATES. Well, of course, one of our most ardent supporters was Leo Ryan, and last summer he hosted a congressional briefing where I was allowed to tell many of your staff people what we considered—

Mr. ROSENTHAL. Well, where have you tried to get assistance from? That's what I'm tryin'g to find out?

Ms. COATES. When the Older Americans Act was being revised last year—

Mr. ROSENTHAL. Yes.

Ms. COATES. We were trying to get them to loosen the language of title VII so fresh food programs could fall in there because the major bulk of your seniors have to, wish to cook for themselves, and they can't afford food.

Mr. ROSENTHAL. And what happened? I'm not that familiar with it.

Ms. COATES. What happened is it didn't happen. It's pure and simple. The Older Americans Act was revised but AOA, Administration on Aging, said they needed to cut back, the name of the game is cut back, cut back, and the prices keep going higher and higher.

Mr. WILLIAMS. You are very comparable, then, to groups in my district like Goodwill Industries.

Ms. COATES. That's more like a sheltered workshop. No, we're not really a sheltered workshop, though the concept is similar. We do hire disadvantaged, but we pay disadvantaged an hourly wage.

Mr. WILLIAMS. One more question. Just following the line of the farmer producing and marketing the product, how do you suggest he produce and market directly to the consumer?

Ms. COATES. Well, one way is our program certainly, and I'm sure there are other ways. We hope, in order to make this thing go, our main thrust, of course, is to senior citizens, even though we hire disadvantaged and we want to help the grower and we want to help the farmer.

Mr. WILLIAMS. Well, is it the trucker, is it—

Ms. COATES. It's all of those things that you list. You sit down and you use commonsense; start your own little list. You put your farmer at one end, you put your consumer at the other. Then you start off with the handlers and the truckers and the brokers, sometimes these brokers never leave their home, and then it goes down there to the produce terminal, there's another chunk taken out there, then it goes to the supermarket.

Mr. ROSENTHAL. That is a very serious problem, one that we've been working on for years and it appears there does not seem to be an easy resolution.

Did you prepare any written testimony?

Ms. COATES. You've got it.

Mr. ROSENTHAL. When you went to Washington?

Ms. COATES. When I went to Washington?

Mr. ROSENTHAL. Yes.

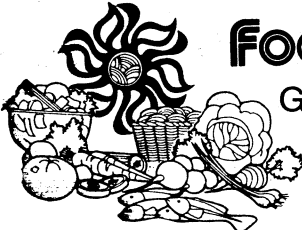
Ms. COATES. Oh, yes.

Mr. ROSENTHAL. I mean I'd like to look into that phase of it and see if we can be helpful in some way.

Ms. COATES. I wish you would because it would really help. Some of the situations you heard here about the poor woman trying to live on one chicken or cut a chuck roast, if Government could assist with some fresh food subsidies and investigate very carefully how your senior citizens are forced to live. I also really sympathized with her when she said she doesn't like anyone to say she didn't save for her retirement years. I get extremely angry when people say that. They did save. They didn't count on inflation.

Mr. ROSENTHAL. Thank you very, very much. It was very useful testimony.

[Ms. Coates' prepared statement follows:]



FOOD ADVISORY SERVICE

A NON-PROFIT CORPORATION

GALLERY FAIRE ENTERPRISES

A NON-PROFIT CORPORATION

Headquarters: 185 Valley Drive, Brisbane, California 94005 (415) 467-1343

MOBILE MINI MARKET

May 3, 1979

Testimony of Patricia Coates, Executive Director, Food Advisory Service of Brisbane, Calif. before the Commerce, Consumer, and Monetary Affairs Subcommittee of the Committee on Government Operations held in San Francisco, Calif. on May 4, 1979.

Dear Committee Members:

There are nearly 3 million people age 60 years or older who live in Calif. The vast majority of these citizens are classified as low-income or below the poverty level. Current Federal, State and local food programs serve less than 2% of these seniors. The needs of the elderly are forever growing, not only in terms of their increased population, but also in terms of their income relative to the high cost of food!

Inflation has made it more and more difficult for senior citizens with low, fixed incomes to obtain a satisfactory diet. Decent food is either too expensive or inaccessible. For example, many seniors live in physically isolated neighborhoods and/or have mobility problems that prevent their going far from home. This means that they are forced to purchase their food at high priced local stores. Those who can get to supermarkets find food packaged for families, with portions too large for them to use before spoilage sets in.

The Food Advisory Service

My partner, Sandi Piccini, and I organized the Food Advisory Service (FAS) in 1975 after hearing stories of senior citizens who were so poor that they had to eat pet food. Using experience we had acquired in organizing a neighborhood food co-op, we set out to develop a low cost food distribution program for the elderly.

We currently distribute fresh produce, eggs, and meat at wholesale prices to more than 8,000 senior citizens throughout the San Francisco Bay area and an additional 2,000 seniors through our new location in Los Angeles. Weekly deliveries are made to over 110 Mobile Mini-Markets (MMM) set up at locations such as senior centers, churches, and senior residence complexes. Food is purchased daily, in bulk and at wholesale prices, from local produce centers, growers and other suppliers. The food is sorted at our central warehouse and then delivered by van to each Mini-Market. Each site is operated by volunteer seniors from that local community. The cost to each senior is the price that we actually pay for each and every item. Thus, they achieve the maximum savings possible.

This program saves elderly participants 30-50% of their food costs. Additional monies are saved because seniors may purchase food in small amounts suitable to their consumption and budget. Deliveries of food are also made to home bound seniors when finances permit.

The needs of the elderly for this type of service is far greater than our capacity to meet them. Besides the 2,000 seniors we already serve in Los Angeles, there are an additional 20,000 people on "standby" waiting for available delivery vans. We are presently organizing an Hawaii operation and it is our intention to begin serving seniors this summer. Because of the great need for low-cost food among the elderly, nationwide, FAS intends to assist other food distribution systems similar to our own MMM throughout the United States.

Funding

Gallery Faire Enterprises (GFE), is a sister company of FAS incorporated in 1977 as a non-profit organization whose purpose was to provide financial support for our concept of Mobile Mini-Markets. This support organization operates under the same administrative umbrella as FAS and shares the same warehouse space with FAS. GFE is a contract packaging plant and light assembly plant that employs low income youth, seniors, ex-offenders, disabled persons and other so called disadvantaged people. This diverse combination of people, ages, cultures and concerns provides a unique but effective environment for all to learn and work. Here our employees can learn job skills and improve their work habits in a humane and caring environment that assists people in becoming useful members of society rather than liabilities.

Gallery Faire contracts with businesses to do work such as product packaging, small assembly work, and the cleaning and repairing of equipment. The plant operates like any other in the private sector and sustains itself on the basis of efficient and competent work performed. The monies that it provides to FAS has helped us move towards self-sufficiency.

Because Gallery Faire cannot fully support the rapidly expanding needs of the elderly and our attempts to meet those needs, other funding sources have been sought. For example, corporate sponsorship of Mobile Mini-Market sites have been helpful. A company may sponsor one or more sites of their own choosing, in their own immediate neighborhood or elsewhere. For a prearranged tax deductible cost, a corporation can underwrite a Mobile Mini-Market site for a year or longer. This is a simple and meaningful way of enhancing corporate responsibility in a community.

In addition to these sources we also supplement our income and cover some of our costs by acquiring business and foundation grants as well as job training and work experience programs through agencies such as CETA.

Observations on Inflation

The typical lower income older American is caught in the midst of an inflationary era. He or she grew up learning to be independent and self-sufficient. Today should be a day of comfort and dignity for them and they should have been able to retire with some respect for and compatibility with their needs. This has become increasingly impossible. One of the most startling and one of the saddest statistics that I can recall is that the highest rate of suicide in

in our nation occurs in the age group of 60 years and older. This statistic implies that we have much more to do than what appears on the surface and we better start doing it now!

Some congressional programs in the past have attempted to deal with some aspects of the situation. Notably the Food Stamp Act was enacted to address the needs of those who cannot afford fresh foods. But Food Stamps do not adequately address the needs and concerns of the elderly. Obviously food stamps do not help a homebound senior who desires to prepare his or her own meals. The amount of money available is often insufficient to provide the required nutrition for minimum standards necessary to maintain good health.

Most times our elderly are isolated from loved ones or possible sources of financial assistance in times of trouble. Their limited mobility makes it difficult to find the means to supplement their meager fixed incomes. If that were not enough there are strict limits set by social security regarding supplemental income, when they are available.

We at FAS become angry when we hear statements from persons in the communities that we serve who complain that "they should have planned more wisely for their retirement years." They did plan for their retirement; they did not plan on inflation!

Recommendations

1) Federal laws should be amended to allow support for fresh food programs. Partial subsidies are essential to capitalize and, at times, to sustain food distribution systems.

2) Laws should be adopted that encourage and enhance the use of direct marketing of farmer's produce. Present conditions create severe restrictions on the methods and techniques for marketing produce directly from the farmer to the consumer. This limits the amount of savings that the poor are able to receive and it also places an unusual burden on small farmers. Direct marketing is essential if we are to save the small farm in America and it is essential if we are to provide adequate food and nutrition to the poor.

3) Regulations and laws need to be adopted that will prevent the wasting of food by farmers, canneries, produce centers and anywhere else that handles food. We know of a rabbit farm that slaughters 500 rabbits per month for the skins to be used as fur coats--they bury the meat! Canneries waste hundreds of gallons of already processed and useable food because the cans are dented! This type of waste must stop and they must be required to give or sell at cost food to non-profit groups so that the poor can be fed.

4) The amount of money available for food stamps should be increased to improve the nutritional value of food that seniors consume.

Most of what we as citizens of this nation are enjoying is owed, in a large part, to our old folks. They laid the foundation for the systems and resources that we currently utilize for our benefit. I believe that we have the moral obligation--all of us--to ease their financial burden and to bring caring and dignity into their lives in any way possible.

The federal sector still has a great deal more that it can do to assist those of us who are doing all that we can to help.

A handwritten signature in cursive script, appearing to read "Patricia Cates". The signature is written in dark ink and is positioned in the upper right quadrant of the page.

Mr. ROSENTHAL. Our next witness is Henry Mozell and Jane Lopez of the Oakland-Alameda County Consumers Council.

It is very nice of you to come, and do feel comfortable. Just tell us what you want to tell us. That's why we're here.

Go ahead, sir.

STATEMENT OF HENRY MOZELL, OAKLAND-ALAMEDA COUNTY CONSUMERS COUNCIL; ACCOMPANIED BY JANE LOPEZ AND DOROTHY CORBIN, SENIOR CITIZEN

Mr. MOZELL. Good morning.

Mr. ROSENTHAL. Tell us your name.

Mr. MOZELL. My name is Henry Mozell. I'm the executive director of the Oakland-Alameda County Consumers Council.

Would you like for me to speak or do you want me to—

Mr. ROSENTHAL. Feel free to do whatever you want to do.

Mr. MOZELL. Well, I'd like to introduce the rest of my panel with me.

Ms. CORBIN. I'm Dorothy Corbin. I'm a senior citizen, three score and ten-plus. I work in the community of Oakland. I cover from Lake Merritt to 98th Avenue. I go to many centers. I listen to senior citizens and they're appalled, as is my doctor, by the way I keep up the way I do.

But I'm here to ask you gentlemen from Washington and the whole United States, our Senators and our Government, to do something for the senior citizens, because some day you'll be a senior citizen, and for the senior citizens that are my age and younger, they have made this so-called glorious United States.

And some of our problems I would like to bring to your attention, Hon. Mr. Rosenthal and the committee members. The following is an outline we need, and changes are necessary for local and nationwide senior citizens trying to exist on fixed income.

Cuts and considerations, the cost of living. Now, this has been brought to my attention. For housing, which I know to be a fact, if I didn't get assistance from my taxes, I wouldn't be able to meet them some years. And I'm sure you gentlemen have not been cut to the quick like the senior citizens of America.

And coming down to food is what the lady ahead of you said. It's terribly hard to go to your nearest supermarket, which happens to be in my area, a Safeway, yet I can walk a few more blocks to an MB or a Lucky and get things, many times, 10 cents cheaper. I have learned, because I've lived in Oakland a long time. I was many years a resident of San Francisco, so I know my cuts. And then I know everybody isn't able to shop like I do; they're not able to go by themselves and they're not able to always get the transportation because they're not able physically to walk or take the risk.

Now, when it comes to medical costs, that is the most outrageous thing that I know of, and it's nationwide. We have a woman that came to our attention. She's 62 years old. She was knocked down by some unknown kid, and she only gets \$280 a month. Yet, when the ambulance came and picked her up, she now is facing a bill of \$90. No one knows who called the ambulance. After she got to the hospital, they just put an icepack on her and sent her home. So that is how our moneys are spent.

Mr. ROSENTHAL. How are you getting along?

Ms. CORBIN. Well, I have SSI assistance. I have worked and made the social security. But I'm tired of listening to the Government just putting scares into everybody, particularly the senior citizens, those who were taught to save a dollar. This past month, I had to borrow \$45 and, of course, if I borrowed \$45 this month, maybe I'll be in the red \$80 next month.

Mr. ROSENTHAL. Why did you borrow the \$45?

Ms. CORBIN. Because I hadn't paid my full utility bills and they were sending me the 7-day letter, notice.

Mr. ROSENTHAL. What does that mean?

Ms. CORBIN. It means pay up or they shut it off. Then when you go to have it on, they charge you maybe \$100.

Mr. ROSENTHAL. Why did you have to borrow the \$45 this month?

Ms. CORBIN. I just told you.

Mr. ROSENTHAL. I understood it was to pay a utility bill, but what went wrong with your budgeting?

Ms. CORBIN. Well, I did go campaigning and that costs a little bit of money, but I didn't have to pay the full price. But at least it was something doing in the community that was better than staying home.

Mr. MOZELL. Yes, I think that Dorothy is the victim of many consumer problems that we have, and I hear many of the people before me speaking to the same problems. That is in today's inflation; if persons pay rent, they can't eat. If they eat, they can't pay their rent. This is a problem, especially since proposition 13 has passed in the State of California. Many of the landlords who should be giving money back to the renters, are now raising their prices anywhere from 33 to 40 percent increase in rent.

You have a copy of my press release which I have outlined some of the problems in here. I don't want to read the press release because I think you've got a copy of it, but I want to talk with you about some of the problems.

Dorothy is a good example of many consumers. For instance, not only do we have a problem wherein the people can't afford to pay their rent, we have one of the highest infant mortality rates in east Oakland. For instance, if you read the papers here approximately 6 months ago, the infant mortality rate in east Oakland was approximately 3 percent out of every 1,000 babies.

This is because of poor health, poor nutrition, poor eating. Our crime rate in the east Oakland area is one of the highest throughout the country because of unemployment. The young youth in the city of Oakland, I should say from the age of 18 to 25, is approximately 45 to 60 percent unemployed at a time when the present administration is talking about cutting back on job training and other CETA programs. These people will have no way of getting into the labor market unless there is some sort of a training program.

Also we're talking about the energy program. The energy program, if you look at it in Oakland, you can see all throughout the bay area car lines of two or three blocks long. There's no monitoring plan to control the gas prices; and now we're talking about decontrolling the whole gas pricing system, period. I think we need more controlling, more monitoring on all of these programs, with price control, your gasoline energy control. Last winter you read about across the country where senior citizens were freezing to death in Portland because they

could not pay their utility bills. Simply what she just said here. Others because the temperature was down 60 degrees, they caught cold and died because they could not have the proper heat to keep them warm. All these things are part of what I call a failure for the administration in Washington has failed to deal with.

Mr. ROSENTHAL. What about your own State administration; what are they doing?

Mr. MOZELL. Well, I agree with you that the State of California also has its problems. Governor Brown, whom we just talked about earlier in my press release, has frozen the cost of living for welfare recipients in the State of California to 1977 levels. These people's cost of living is already prorated a year behind. They're living right now off last year's cost of living. They can never catch up. Meanwhile, the cost of living and price index for the consumers is above last year at this time about 12.7 percent, so you see, they're slipping farther back in the hole, while prices and other consumer amounts continue to rise.

There's really got to be mandatory price control. There is no such thing as voluntarily. When you set up a voluntary price control, there should be a monitoring system in there where consumer groups like Oakland-Alameda County Consumers Council and others can help the Government and monitor these programs by going in and taking inventory, or whatever there is, and make reports back to Washington saying these are in compliance or not in compliance.

Mr. WILLIAMS. Do you monitor individual neighborhood store prices?

Mr. MOZELL. It wouldn't do any good now. What are we going to monitor?

Mr. WILLIAMS. Well, our concern was information.

Mr. MOZELL. We have that, sure. We go in there and take down prices for our own personal records.

Mr. WILLIAMS. Do you compare prices on a competitive basis, and make that information available to consumers?

Mr. MOZELL. Yes, we do, except when we can't. Here again, State law—there was a bill just died on the Senate floor, AB-725, which made it mandatory for all items in the store to be mandatory price items. How in the world are you going to monitor something when you can't see the price? The large corporations now have UPC, universal productive code system, the scanning, they're called. The average person that goes in the store cannot tell you what that price is—

Mr. WILLIAMS. You can't see what an item costs?

Mr. MOZELL. You can't see what that item costs.

Mr. WILLIAMS. When did this pass?

Ms. LOPEZ. May 1.

Mr. ROSENTHAL. I had a bill in to try and stop that, but it didn't get very far.

Mr. MOZELL. I know. I am trying to say to you that, you know, there's no system—what I'm saying is that there's no system for the consumer to assist the Government to help make sure these things are in compliance.

Mr. ROSENTHAL. First of all, without objection your entire statements will be put in the record so that we have some of these rather visual stories that you told us about.

[The prepared statements of Ms. Corbin and Mr. Mozell follow:]

May 3, 1979
 7115 Holly Street
 Oakland, CA 94621

Mr. Benjamin S. Rosenthal, Chairman
 Commerce, Consumer and Monetary
 Affairs Subcommittee of the Committee
 on Government Operations
 Rayburn House Office Building
 Room B-377
 Washington, D.C. 02515

Dear Mr. Rosenthal:

The following is an outline of needs and changes necessary for local and nationwide senior citizens trying to exist on a fixed income:

Cuts and Considerations:

- A. Cost of Living
1. housing
 2. food
 3. medical costs
 4. clothing

Senior citizens living on fixed incomes are becoming more and more disillusioned with government and its efforts to combat the impact of inflation.

After listening to the news and other sources of the media, not to mention hearing President Carters proposals for combating inflation as well as Congress, I still don't know what causes inflation! My feelings on the causes of inflation are:

1. Government spending moneys we don't have and getting less back.
2. Government giving false reasons for assistance in financing other countries. Those countries in turn, sell their resources back to us at inflated prices.
3. The government has let business get out of hand by extending assistance to several nations and letting them dictate to the U.S. government.

The government needs to change the system to benefit all people!

Sincerely,

Dorothy W. Corbin
 Dorothy Corbin



OAKLAND/ALAMEDA COUNTY CONSUMER COUNCIL

4538 E. 14th St., Oakland, Calif. 94601
Phone 261-6522

BOARD OF DIRECTORS 1976

BOBBIE WILLIAMS
Chairman-O/ACC
Vice Chairman-C.W.A. Union

JOE COPELS
Vice Chairman-O/ACCC
U.A.W. Union 1364

TODD EGLEY
Legal Consultant-O/ACCC
Alameda Co. Legal Aid Society

TOM LOCKETT
Treasurer-O/ACCC
Bay Area Grocery Association

MARGUERITE C. WOODS
Secretary
Complaint Director-O/ACCC

LARRY ARMSTRONG
South Co. Headstart

MARTHA CASTILLO
South Co. Headstart

GEOFFREY COBBIN
Oakland Community Organization

DELVIA GOODSON
Cable Radio Station

CELESTINE GREEN
U.C.B.-Extension/Nutrition Program

RALPH KELLEY
Attorney at Law

JERRY KENDALL
Link of America/Manager

MIKE SHIOZAKI
Super-Rite Market

SHIRLEY WILLOUGHBY
Business Agent
Union 250

HONORARY MEMBERS:

WILLIAM BURKS
A.F.L.-C.I.O. Regional Director

STAFF:

HENRY F. MOZELL
Executive Director-O/ACCC

FEDERAL ANTI-INFLATION BATTLE

Honorably Congressman Benjamin S. Rosenthal (D-L, NY) and committee members. I am Henry F. Mozell, Executive Director of the Oakland/Alameda County Consumer Council, President of Democratic Labor Caucus, appointed member of Alameda County Post Sentence Advisory Commission, State of California Consumers Affairs Task Force, whose goals and objectives is Alternative Food Delivery programs for the low-income consumers in the inner cities.

Today, I am speaking before you on behalf of low-income consumers of Alameda County. The Oakland/Alameda County Consumer Council, provides direct services to consumers throughout the county, and I have a special concern for and familiarity with the impact of inflation and an opportunity to see the special problems of low-income families. Everyday I hear complaints about high prices. Inflation is an enemy to us all, but for the low-income person, inflation causes even greater suffering than for any other group.

Years of studies have demonstrated a shocking fact about the economic system in this country: the poor pay more for the same goods and services. Even worse, the rate of inflation is greater for the poor than the rest of society.

The welfare recipient, the pensioner, the low-income worker spends his or her income on basic necessities. It is a cruel fact that the cost of necessities has been increasing much faster than luxury items.

This fact is demonstrated by the Department of Labor's statistics on the consumer price index for urban consumers in the San Francisco area. While the general price index has gone up 7.8% since February 1978, the cost of necessities has skyrocketed at a much greater rate. In fact, of all of the components of a poor person's budget, food, rent, other rental costs, household furnishings, clothing, transportation and personal care, only two have gone up at a rate less than 7.8%. Three items, food, other rental care have shot up at rates nearly double that of the general rate of inflation.

For the poor, the consequences of higher costs can be catastrophic. Because family budgets operate on such a thin margin, an increased expenditure at any point can lead to a serious disruption in family life.

This fact is illustrated by the following case histories drawn from hundreds of similar cases in the files at our office and the nearby offices of the Legal Aid Society in the predominantly poor East Oakland neighborhood.

A widowed mother of one, Hazel B. receives social security in the sum of \$425.00 per month. She owns no real property, drives a twelve year old Dodge, and has \$2.79 in the bank.

The rent on her Oakland house is \$300.00. A year ago, she told her landlord she anticipated financial difficulties and might have problems paying the rent. The landlord gave her time to resolve these financial

problems, both the burden of trying to support herself and a child on that income proved too much. She had only \$126.00 to clothe and feed her child as well as to meet the child's other personal needs. She became seriously delinquent in the face of inflation and now faces eviction.

Mrs. W. is a 47 year old mother of three, she is divorced. Her source for support of herself and her three children is Aid to Families to Dependent Children (AFDC). She has no real property and no car. Her bank account stands at \$9.95.

Out of the \$435.00 she receives monthly from AFDC, she used to pay \$145.00 in rent, leaving her \$290.00 for all other expenses. In September 1978, she received a notice from her landlord announcing that the rent was to be increased from \$145.00 to \$185.00 over the following six months - a 37% increase! Other tenants received similar notices. She is now paying the full amount of the increase which leaves her \$250.00 on which she and her three children must live. Thus at a time when food prices continue their rise to the moon, she has \$40.00, almost 15% less to spend on non-shelter needs.

Mrs. W. asked whether the landlord could increase the rent as he had. She learned that he could and that she had no legal recourse.

Mrs. O. is 23 years old and a divorcee mother of one child. Her only source of income is \$287.00 per month in Aid to Families with Dependent Children (AFDC). After paying the rent on her apartment and buying other necessities, she has no money to pay for automobile insurance. She was recently in an accident and her car was totally destroyed. On top of that, the other driver's insurance company has demanded \$1,600.00 for damage to their insured's automobile. If a judgement is rendered against her she will face an impossible choice. She will either have to sacrifice her families livelihood and pay the judgement or her license will be revoked. If her

driver's license is revoked she will be further handicapped in locating work and face the prospect of more years on the welfare rolls.

There are many lessons to be learned from these stories. The first is that inflation is more than an inconvenience for these persons. Even small increase in costs can jeopardize an entire budget. Furthermore, high costs can lead to serious social problems. Many families will face eviction and dislocation, at the very least many children will learn to live without purchases that other children regard as necessities. Inflation hits the poor harder and drive them further into the hole, making it even less likely that we will break the vicious cycle of poverty.

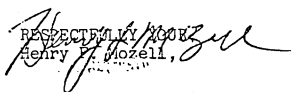
In conclusion, if the administration's anti-inflation program has been a failure for the rest of the country, for America's poor, it has been a disaster.

This is ironic since it was the urban poor that provided the margin of victory for the president. Yet low-income Americans have nothing to show for their support. Unemployment among urban youth remains a national disgrace. The administration has cutback benefits in the areas of housing and food stamps. Nowhere is there a proposal to confront the problems faced by persons like women I described earlier. The picture at the state level is even worse.

Proposition 13 has cut local services and Governor Brown has frozen welfare benefits at the 1977 level.

Inflation is only one way that America shows its contempt for the poor. Not since the riots of the 1960's have the urban communities had it so bad.

RESPECTFULLY,
Henry F. Mozell



Mr. ROSENTHAL. This young lady wanted to speak.

Ms. LOPEZ. Can you hear me?

Mr. ROSENTHAL. I can hear you, but you have to tell us who you are.

Ms. LOPEZ. My name is Jane Lopez and I'm the financial counselor with the Oakland-Alameda County Consumers Council. I'm the one that answers the telephone and handles people that come in off the street. The outreach work I do is mainly with Spanish-speaking citizens, aging centers, that kind of thing.

What I wanted to say today was a little bit about the Conference on Inflation that the White House sponsored at the Fairmont Hotel.

Mr. ROSENTHAL. When was this?

Ms. LOPEZ. This was April 18, a Wednesday, all day. The 16th, pardon me.

It was held at the Fairmont Hotel. There was a \$15 registration fee. Our organization, along with another large group of organizations, we very quickly formed a coalition against inflation. I think there's a list of maybe 18 groups. I could give you their names. But anyway, we got together and decided that there was really no consumer input. We got an invitation to attend the conference. There was no information sent with it. It was held on a weekday; they wanted \$15, and we felt that the consumer that was really suffering—

Mr. ROSENTHAL. \$15. Who ran it?

Ms. LOPEZ. The Fairmont Hotel.

[See invitation in app. 1.]

Mr. ROSENTHAL. But who ran the conference?

Ms. LOPEZ. It was the White House, Western Regional Council—

Mr. ROSENTHAL. You mean the Federal Government ran a conference and they wanted \$15 for you to come?

Ms. LOPEZ. Right.

And there was no information sent with this. We didn't know what Carter's plan even was.

Mr. ROSENTHAL. Whose plan?

Ms. LOPEZ. Let me start again.

Many of the consumers that are really suffering from inflation don't even understand what Carter is talking about when he says voluntary wage and price guidelines; I mean they really don't know. All they know is, when they go to the market, the prices are going up, if they can even see the prices on the cans or on the dry goods.

So we thought, how can a person either—

Mr. ROSENTHAL. Well, they gave you lunch for \$15.

Ms. LOPEZ. Yes, but that's not—

Mr. ROSENTHAL. Did you go?

Ms. LOPEZ. I did.

Mr. ROSENTHAL. How was the lunch?

Ms. LOPEZ. I didn't stay for the lunch. I took a bag lunch.

Mr. ROSENTHAL. You took a bag lunch?

Ms. LOPEZ. Yes.

Mr. ROSENTHAL. How did you get in? Did you pay the \$15?

Ms. LOPEZ. That's what happened is that the coalition that we organized called Washington and said this is ridiculous.

Mr. ROSENTHAL. How much did the call to Washington cost you?

Ms. LOPEZ. I didn't make the call, I don't know.

Mr. ROSENTHAL. I'm just trying to find out how you——. So what happened?

Ms. LOPEZ. What happened was they said, we'll let you in, we'll make arrangements, you know, like 2 days before. But the point is that the consumer who really should be represented at something like that was no way going to go to the Fairmont Hotel, pay \$15 or even pay whatever, or take a day off of work, lose pay and then pay \$15 to hear a lot of people who they don't relate to on an economic level and, you know, who would be afraid to speak up.

Mr. ROSENTHAL. Did you go?

Ms. LOPEZ. Yes, I did.

Mr. ROSENTHAL. Did you pay the \$15?

Ms. LOPEZ. No, I did not.

Mr. ROSENTHAL. You snuck in?

Ms. LOPEZ. We had a press conference and we made a big stink.

Mr. ROSENTHAL. Well, you should have. It's outrageous.

[The brochure on the Western Conference follows:]

Western Conference on Inflation

ARIZONA, CALIFORNIA, HAWAII, NEVADA,
and the
PACIFIC REGION



THE FAIRMONT HOTEL
California and Mason Streets
San Francisco, California

APRIL 18, 1979
8:00 A.M. — 5:00 P.M.

Sponsored By:

- *The White House*
- *The Council on Wage and Price Stability*
- *The Western Federal Regional Council*
- *The City of San Francisco*

o/ace

"There are no magic solutions in the battle against inflation. It can be won only by hard day-to-day, unglamorous, and often politically unpopular efforts, and by the voluntary cooperation and restraint of the American people. I pledge myself to the most vigilant effort. The American people deserve no less."

President Jimmy Carter

In cooperation with the White House, the Council on Wage and Price Stability, and the City of San Francisco, I invite you to attend a conference on the Anti-Inflation Program.

The Conference will be held at the Fairmont Hotel in San Francisco on April 18, 1979. The principal speaker will be Jack Watson, Jr., Assistant to the President for Intergovernmental Affairs. Workshop sessions will be held on the Voluntary Wage and Price Standards, reform of Federal and State Regulatory Policies, Consumer Participation in the Anti-Inflation Program, Hospital Cost Containment, and Productivity Improvement. Participation will include local governments, the business community, labor organizations, consumer representatives, etc.

I look forward to seeing you at the meeting. It is essential state and local officials, the business community, labor organizations and consumers be involved in the effort to fight inflation.

William C. Arntz, Chairperson
Western Federal Regional Council

Western Conference on Inflation

TENTATIVE SCHEDULE

<p>8:00 a.m. to 9:00 a.m. REGISTRATION Terrace Room</p> <p>9:30 a.m. WELCOME AND INTRODUCTIONS William C. Arntz, <i>Chairperson</i> <i>Western Federal Regional Council</i></p> <p>. OPENING REMARKS Mayor Dianne Feinstein, <i>City of San Francisco</i></p> <p>10:00 a.m. CONCURRENT SESSIONS</p> <ul style="list-style-type: none"> • Workshop I – Wage and Price Standards • Workshop II – Consumer Participation in the Anti-Inflation Program • Workshop III – Federal and State Regulatory Policies • Workshop IV – Federal, State and Local Budgets <p>12:30 p.m. LUNCHEON ADDRESS Jack Watson, Jr., <i>Assistant to the President for Intergovernmental Affairs</i> <i>"Presidential Decisions Affecting the Anti-Inflation Program"</i></p>	<p>2:00 p.m. CONCURRENT SESSIONS</p> <ul style="list-style-type: none"> • Workshop V – Wage and Price Standards (<i>Technical Session</i>) • Workshop VI – Hospital Cost Containment • Workshop VII – Ways to Improve Productivity • Workshop VIII – Federal and State Procurement Policies <p>4:00 p.m. CLOSING SESSION</p> <ul style="list-style-type: none"> • Reports from Workshops Workshop Panel Chairpersons • Closing Remarks <p>5:00 p.m. ADJOURN</p>
---	---

"I hear the argument every single day – that this or that sacrifice to fight inflation would shave only a 10th or a 100th of a point off the CPI, but that is precisely the point! The whole CPI is made up of nothing more than thousands of these 100th's of a point. Unless we are prepared to fight for each, we will lose them all."

Alfred E. Kahn
Adviser to the President on Inflation

Advance registration is requested. Please complete the attached form and mail it along with your payment to the address indicated by April 13, 1979. Additional information can be obtained by calling Larry Simi, Mayor's Office, San Francisco, 415/558-4551.

Hotel reservations should be made directly with the hotel of your choice.

Detach and Return to:

WESTERN FEDERAL REGIONAL COUNCIL
111 Pine Street, 3rd Floor • San Francisco, California 94111

CONFERENCE ON INFLATION

April 18, 1979
Fairmont Hotel, San Francisco, California

CONFERENCE REGISTRATION FORM

Name (or Group) _____ City & State _____

Group Representative(s) _____ Title _____

_____ Title _____

_____ Title _____

Address _____ Conference and Luncheon — \$15.00

City, State, Zip _____

Phone _____ Amount Enclosed _____

Make checks payable to: WESTERN FEDERAL REGIONAL COUNCIL.

Payment for conference should be received by April 13. (over)

I/we wish to attend the following workshops: (Check one per column.)

10:00 a.m. to 12:30 p.m.	2:00 p.m. to 4:00 p.m.
● Wage and Price Standards <input type="checkbox"/>	● Wage and Price Standards (Technical Session) <input type="checkbox"/>
● Consumer Participation in the Anti-Inflation Program <input type="checkbox"/>	● Hospital Cost Containment <input type="checkbox"/>
● Federal and State Regulatory Policies <input type="checkbox"/>	● Ways to Improve Productivity <input type="checkbox"/>
● Federal, State, and Local Budgets <input type="checkbox"/>	● Federal and State Procurement Policies <input type="checkbox"/>

Ms. LOPEZ. But we asked them to change the conference to make it at a school or make it at a warehouse or make it at Oakland Coliseum and make it on a weekend.

Mr. WILLIAMS. How about today, right here? Where is everybody?

Mr. MOZELL. Could I answer that?

Mr. WILLIAMS. Yes.

Mr. MOZELL. I think, too, a lot of your problem with people participating in hearings and other Government affairs is that they have lost confidence in the Government. By the same token, you know, when you vote for someone for a president, like we did for President Carter, we would swing a margin of the low-income people to help him win and yet all his programs are disregarding the low-income people. Now, you can see why they would lose confidence in the Government. The same thing happened here in California. Governor Brown only won the election by one-tenth of the voting residents who live in California. The election in the city of Oakland here 3 weeks ago, where three city councilmen were elected, was less than 15 percent of the voters. So until the voters have confidence to get involved in it, you're going to see more or less medium crowds like you see when you have Government meetings.

Ms. LOPEZ. Can I add something to that?

Mr. WILLIAMS. Go ahead.

Ms. LOPEZ. We also have a lot of trouble getting people to document what they really have problems about. They call and they come in and they're really in a bad way. They say we don't have any food in our house, we can't pay our P.G.&E. bills. I can't make them sit down and fill out a formal application form. They don't want that.

Mr. ROSENTHAL. Is your coalition monitoring prices?

Ms. LOPEZ. OK. We've gotten together and met with the Northern California Grocers Association to try to get specifically food prices back to, you know, shove the price back to somebody else, the cost that the people are paying at the marketplace. And they really have made some points about monitoring prices. Most people who don't know how to monitor can make a lot of mistakes in terms of, you know, what's really going up. There's all these price index books and, you know, if you make a mistake, certain stores get penalized through the media and they say our prices aren't going up. We have to have qualified people monitoring the prices. So they really do not want people in the stores looking through prices. So what we've tried to do is discuss through a meeting with wholesalers or retailers and find out who's making the profit, you know, and we know who is making the profit.

Mr. ROSENTHAL. Who's making the profit?

Ms. LOPEZ. Well, large manufacturers, Procter & Gamble for one. They don't care.

Mr. ROSENTHAL. I wanted to ask you something. You said that the Safeway was more expensive than the other stores.

Ms. CORBIN. In our district because that goes even for your corner grocer. I don't know how they rate it but their prices are always higher than the supermarket and, as I say, often from one supermarket to—

Mr. ROSENTHAL. No, no, is Safeway more expensive than the other supermarkets?

Ms. CORBIN. In my district.

Mr. MOZELL. Let me answer that for you. I work with the State consumer sales task force on setting up the food delivery program for inner cities. The studies that we've done show that respectively in certain stores like Lucky, Safeway in the east bay area section and the Oakland areas, they were higher prices than in our suburbs. Meanwhile, when it came between Lucky and Safeway, Lucky had cheaper prices when it came to meat but when it came to staple foods, Safeway had the highest price but they had higher quality of food as well. The report, if you want a copy, I've brought some where you can request it from State consumer affairs, it shows that there's discrimination of food prices in inner cities, period.

Mr. WILLIAMS. They are higher ?

Mr. MOZELL. Right. They're higher priced in inner cities than they are in the suburbs and the reports from the Federal Trade Commission, which I was involved in, prepared back in 1974 and 1975. The only way they could justify the discriminatory charges was the higher operational costs, overhead costs, high shoplifting, insurance, rents; in most stores in our area they had a robbery of some sort, but they're afraid to report it because the insurance company can kick them out and they might lose altogether.

Mr. ROSENTHAL. You wanted to say something ?

Ms. LOPEZ. Yes, it is really ironic, for example, in the particular areas where you have people buy certain kinds of food like ham hocks and chitlins and all that because they're trying to cut down on this expense, it will be much more expensive in the Safeway in Oakland to buy something like that than one in San Leandro just because there's not a black community that's in San Leandro. And I don't understand that. It's like, you know, what people need most, they have to pay more for even though anywhere else it would be cheaper.

Mr. ROSENTHAL. Let me just ask one question. If you want to tell the President something, you could do it later today, he's coming to San Francisco. What would you tell him if you wanted to give him some advice on how to deal with the situation ?

Ms. CORBIN. I would tell him that he really hasn't been honest with the average man and when I say average man, all the laborers and, boy, there are millions of them, I think. And I would tell him that the Government is supposed to have ways and means committees. Now, where are they ? They adjust to a few families that are millionaires, that are running this country, and foreigners. In other words, charity begins at home, if there is such a thing, and you as well as I and millions of people, even just in one city alone, are paying for promiscuous happenings.

Mr. ROSENTHAL. Are these wage-price guidelines working as far as you're concerned ?

Ms. CORBIN. No. because why, when I went into semi-retirement at 65, what happened ? My field was nursing. But they freeze your wages, your capacity for top wages for 7 years. Now, what in the hell can the average 72 or more person do at a job ? Nobody wants to hire the elderly. But I can say this, that I can go back to the last employment, steady employment I had and get a job. But I don't want it. Why ? Because there's more bookwork and that's what's happening all over the Nation, bookwork. and you don't get it down to the nitty gritty.

Mr. ROSENTHAL. What would you say to the President if you had the chance to tell him how things are going ?

Mr. MOZELL. I would say to President Carter that unless he changes his ways, I think he's going to be a one-time President. What I'm saying is, otherwise, I don't think that the people are going to be fooled any more. I mean we see where he's coming from, we see that the job training program that our people use has been cut back, we see that the energy prices, and gasoline lines are increasing. So we want leadership. We want somebody that's going to help lead the problem of the poor. If you can't provide that, we're going to have to look somewhere else.

Mr. ROSENTHAL. OK, thank you all very, very much.

[Ms. Lopez's prepared statement follows:]



OAKLAND/ALAMEDA COUNTY CONSUMER COUNCIL

4538 E. 14th St., Oakland, Calif. 94601
Phone 261-6522

BOARD OF DIRECTORS 1979

BOODIE WILLIAMS
Chairman-O/ACC
Vice Chairman-C.W.A. Union

JOE COPEL
Vice Chairman-O/ACCC
U.A.W., Union 7504

TODD BOLEY
Legal Counselor-O/ACCC
Alameda Co. Legal Aid Society

TOM RICKETT
Vice Chairman-O/ACCC
Bay Area Grocery Association

MARJORIE C. WOODS
Secretary
Complaint Counselor-O/ACCC

DARRY ARMSTRONG
South Co. Headstart

MARTHA CASTILLO
South Co. Headstart

DOROTHY CORBIN
Oakland Community Organization

OLIVIA GOODSON
Cable Radio Station

CELESTINE GREEN
U.C.S.-Extension/Nutrition Program

RALPH KELLEY
Attorney at Law

JERRY KENDALL
Bank of America/Manager

MIKE SHIOZAKI
Bi-Rite Market

SHIRLEY WILLOUGHBY
Business Agent
Union 250

HONORARY MEMBERS:

WILLIAM BURNS
A.F.L.-C.I.O. Regional Director

STAFF:

HENRY F. MOZELL
Executive Director-O/ACCC

FEDERAL ANTI-INFLATION BATTLE

As the bilingual consumer counselor at the Oakland/Alameda County Consumer Council (O/ACCC), I deal directly with minority and low-income people. These people are suffering some serious setbacks by the runaway inflation situation. Basic necessities are becoming more difficult to acquire everyday. Although these people vary in literacy and activism, they are suffering and representing for me a cross section of people all over the country who are really suffering from inflation.

One logical step in assisting these people in understanding the inflation situation could very well be a conference on inflation, but when our organization received the invitation and registration form for the Inflation Conference at the Fairmont Hotel, it was apparent that the conference was not realistically planned to educate and assist the people who are being affected the most.

We O/ACCC and the Consumer Coalition on Inflation, felt that if the Whitehouse was really interested in helping the consumer that much more planning and a basic sensitivity toward the struggling consumer is necessary.

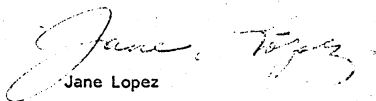
What the insensitivity of the Whitehouse produced was

a slap in the face for the low-income consumer. Does the Whitehouse think that people who must work everyday and overtime to make ends meet, are able to take a day off work, and lose a days pay, plus pay \$15.00 and more to attend a conference at a place like the Fairmont Hotel where they feel out of place, not wanted, and question whether their ideas will even be welcome. Does the Whitehouse think that the low-income consumer can understand Federal Procument Policies and Regulatory Policies. Did it not occur to the Whitehouse to discuss Energy costs, food cost and gas prices which are the basic needs affecting the daily lives of low-income, consumers.

I feel the if the Whitehouse had a committment in good faith to help the consumer understand his galtering situation, there would have been sensitive planning and committment to truely set stage for the consumer to voice what they really feel.

If the Whitehouse is really interested in getting consumer input they are going to have to make a real committment to those consumers affected the most.

In closing, I feel that the conference on Inflation held by the Whitehouse was not only insidious and suberfuged, but reflects an intentional lack of common economic sense.


Jane Lopez

MR. ROSENTHAL. Our next witness is Mrs. Frances Brown. Mrs. Brown.

Yes, ma'am, we're delighted you could be with us.

STATEMENT OF FRANCES BROWN, CALIFORNIA LEGISLATIVE COUNCIL FOR OLDER AMERICANS

Mrs. BROWN. I am delighted to see you here.

My name is Frances Brown. I'm the coordinator of the California Legislative Council for Older Americans, a political organization, non-profit. We do not support candidates. We're freely an advocacy organization.

I'm very happy to see that you invited the grassroots. Every hearing that I have attended was always from the top. Even I wasn't permitted to speak so I'm really very thankful that you're going to hear from the grassroots.

You want to know what affects the elderly, how inflation affects the elderly? The high cost of living.

MR. ROSENTHAL. How old are you?

Mrs. BROWN. I was 76, October 24. I've been an activist for 60 years, so don't be surprised at my youth.

MR. ROSENTHAL. You look wonderful.

Mrs. BROWN. Thank you. I take care of myself. I happen to be middle class. I can afford to live in the Marina but this lady doesn't. She pays a high rent and she can't afford it.

MR. ROSENTHAL. She'll tell us herself. Go ahead, you tell us about you.

Mrs. BROWN. OK. How does the high cost of living, the high rent, the ripoff from the doctors, AMA, the lack of services, the lack of attention, the unconcern, everything pertaining to inflation? It shouldn't exist. There are too many suits, over 2,000 in San Francisco, over 2,000 evictions, close to 3,000 in San Francisco, a city that's only 7 miles square.

MR. ROSENTHAL. If you had a chance tonight to ask the President or to tell him how the wage-price guidelines are working and——

Mrs. BROWN. Too much——

MR. ROSENTHAL. You didn't hear my question. If you had a chance tonight, when the President is in San Francisco, to tell him how the wage-price guidelines are working and how your life is going, what would you tell him that he should do about it?

Mrs. BROWN. Let me tell you something. I have attended every one of George Moscone's family benefits. Tonight I have been invited, and some of my friends were invited, and we will not be there, so I couldn't tell him anything.

MR. ROSENTHAL. But if you were there——

Mrs. BROWN. Wait a minute. I would prefer having a picket line but I have a lot of respect, longtime friends of the Moscone family, so that's why I'm refraining.

What would I tell him? I'd tell him to stop spending on defense. He's got 50 times, we can kill our world 50 times and the Soviet Union only 11 times. I would tell him to stop cutting the incomes of the elderly. He had no right to touch the social security. It's the right of the elderly, they have paid it in their employers. I would tell him to

keep his pea-picking hands off anything concerning the elderly, and I'm sorry to say I would tell him to recognize that the blacks and the Chinese and the Japanese are also people and they're citizens of this country and not to be treated as second class, including the elderly. That's what I would tell Jimmy Carter tonight if I had the opportunity. And I could go on and on and on.

Mr. ROSENTHAL. How are the wage-price guidelines working? What's happening with inflation? How is it affecting your life or the life of your friends?

Mrs. BROWN. OK. My life it's also affecting. My rent has been up. When I moved into San Francisco 11 years ago, I'm at middle class. I have a good income. My rent was \$235, today close to \$400. Electricity, the telephone, the high cost of living, everything, it's the same. There is no middle class, as a matter of fact, when it comes to housing. Yesterday the select committee of the supervisors had a meeting. Middle-class housing, secluded, they're being raised 34 percent and don't you forget it.

Our landlords had a windfall. They have proposition 13, which every State in the union is trying to copy, and I'm glad that the people in Michigan have repealed it. Proposition 13 has taken away services, programs from the elderly and the poor. Our General Hospital is facing a crisis, they're trying to close the emergency where seniors are; they're going to move the seniors to Laguna Honda, and not another new patient, they tell us. Of course, we're organized against it and will fight it to the end. They can't get accreditation because it's been neglected by our city. There is not enough money. I think there is enough money for everything.

I think that we have to tell our President, if he wants to be reelected, to cut military spending and use it for human needs. It's about time we stopped killing. It's about time to tell others charity begins at home. I'm not opposed to helping the countries with rehabilitation; I'm not opposed to that or I'm not opposed to helping, but there's got to be enough left for ours.

Mr. ROSENTHAL. I wonder if you—I would like your friend to say something. Tell us who you are.

Ms. KING. I'm Helen King.

Mr. ROSENTHAL. Go slow, Ms. King. I came 3,000 miles to hear you.

Ms. KING. I hope you didn't. What did you want?

Mr. ROSENTHAL. What's your name and how you're getting along, where do you live and what's happening.

Ms. KING. I live on 14th Street.

Mrs. BROWN. What is your name?

Ms. KING. Helen King and I live on 14th Street.

Mr. ROSENTHAL. You're her interpreter?

Mrs. BROWN. No, but I'm helping her.

Mr. ROSENTHAL. Do you need help?

Ms. KING. What else do you want?

Mr. ROSENTHAL. How are you getting along, Ms. King?

Ms. KING. Oh, I think very well. I have all my own teeth. I'm 72.

Mr. ROSENTHAL. You have all your own teeth, that's terrific.

Ms. KING. One cavity.

Mr. ROSENTHAL. One cavity? Do you use Crest? [Laughter.]

Is there anything you would like to tell me and Mr. Williams from Ohio? He came a long way, too, to meet you.

Ms. KING. That's nice, Mr. Williams.

Mr. WILLIAMS. Thank you. Go ahead, tell us; are you having any problems?

Ms. KING. No, not necessarily.

Mr. WILLIAMS. Are you having a hard time buying food, or paying your rent?

Ms. KING. Well, of course, it keeps going up, up, up and away but I manage. I just make do.

Mr. WILLIAMS. You just make do.

Mrs. BROWN. Tell them what your income is, how much you get income.

Ms. KING. \$330.

Mrs. BROWN. And what you pay in rent.

Ms. KING. \$250.

Mr. WILLIAMS. Where do you live? Do you live in Tenderloin?

Ms. KING. No; I live on 14th Street.

Mr. WILLIAMS. Is it nice there?

Ms. KING. Oh, yes, just lovely. It's an apartment that goes all the way through the building, and we have a little sun deck on the back porch.

Mr. WILLIAMS. Do you get out and about much?

Ms. KING. Oh, yes.

Mr. WILLIAMS. Ride the buses?

Ms. KING. No, I don't get off my beaten path or I can't find my way back home, but I manage.

Mr. WILLIAMS. To repeat the chairman's question, what would you tell the President if you saw him tonight?

Ms. KING. I think she told him everything.

Mrs. BROWN. How do you live on the rest of the money after you pay for your gas and electric and your telephone and everything out of \$330? Who helps you?

Ms. KING. Well, I just—

Mrs. BROWN. A disabled daughter, totally disabled. She helps her with her food; otherwise she would be starving.

Ms. KING. I have a terrible memory. I can remember my name—is about all I can remember.

Mr. WILLIAMS. You're doing fine. We're glad you came out today.

Mrs. BROWN. She can't live. She's denying herself things and we don't want that. Just now we're trying to get her into subsidized housing. It may not be as good a place as 14th. The idea of the elderly paying that high rent—Mrs. Peck who left, she couldn't sit any more, is paying also a high rent. She has a better income, but she also has to pay doctor bills and medicine and everything else because her income is \$505. She cannot even buy a pair of shoes, that crippled lady who has to be helped into the bed, and they wouldn't give her an attendant. Some people, like myself, they don't help her out because her income is \$505. The fact that she has worked for the Government all her lifetime and just gets a pension, no one gives her a damn.

I've worked from the Tenderloin, but I work in the western addition. I've worked in Chinatown and I've worked in Bayview Hunters Point. I've worked in every one of those places, and I know what's going on,

the starving. And when they come to the end of the line, they commit suicide. And I tell you something, if they close the hospital, we will have seniors dying on the streets. It's in every city, I realize it. San Francisco is no exception.

Mr. ROSENTHAL. This housing problem seems to me to be rather acute here.

Mrs. BROWN. OK, I was going to tell you. We have just recently got, after fighting for months, 60 days rent control and 45 days moratorium against condominium conversion. It's hitting the middle class now because the apartments that are being converted to condominiums are people who can afford to pay the rent, but they cannot afford to buy.

Now, the 60 days started from April and will end June 4. In the meantime, the supervisors decided to have hearings with experts and all the rest of the bunch and do it all in 60 days. You and I know it's impossible. It's a study. The 60 days will expire, and the landlords will have a holiday. They cannot do it. After the study, after, the whole month of May are hearings, then you have to compile what you have learned. It takes another month or so, maybe more than that, and by that time it will be too late because they'll run wild. What gets me, they had a windfall in proposition 13, including my landlord. If they fix anything, they immediately want a raise, an increase in rent. The fact that they make thousands of dollars doesn't make any difference.

The lady who didn't show up, Mrs. Woolsee, Adela Woolsee, she didn't show up because she's in a wheelchair. He wants to get rid of her, so he raised her rent \$100 as of May 1. Of course, she doesn't have to pay it. This woman, you would say she gets \$455, she's on a pension, no social security, \$450 and she paying \$300 now rent and she's in a wheelchair. She's been there practically all her life.

Mr. Cannon is 84 years old. He couldn't come today. He had a court order, unbelievable, he pushed the wall in, he broke the window, he annoyed the tenants. He's 82 years old, going blind, walking with two canes, and he did all of that. I wanted him to bring it in today, but he wasn't able. He's now in subsidized housing. We can do that occasionally. But Federal housing has no vacancies and, of course, if you have an income like mine, you can't even get in.

This is the situation, and I'm sure that you would find it in every city. Something has to be done.

I was going to ask you a question. Is this hearing like all the rest of them, listen to us and then you go back to Washington, D.C., where I lived for 23½ years, and forget it, because that has been the pattern right along.

Mr. Kennedy decided to bury the Kennedy Common bill; it was too liberal, so he's cooking up another bill and he came to have a hearing. Why did he have a hearing in Orange County? I can understand it; he wants Orange County; he's running for President. I've lived there and it was impossible for me to live. I know a lot about it because I studied it. Here it is. He brought some Canada people there, six couples, and from the United States. He told us how good it is there in Canada. I was there in 1978, visiting friends in Calgary. The woman had heart surgery. She didn't have to pay a penny, \$39,000. not one single penny. We have nothing here. The comparison is no good. I wanted to hear his new bill. Imagine that, we have that rip off, insurance administering a health system, a National Health Security bill which covers only

elderly. It will rob our kids. They'll have to pay through their teeth. This is the kind of a bill, and he wants us to support it?

He has another suggestion that maybe we in San Francisco should try an initiative because we're so active, or maybe get one of our senators or assemblymen to introduce a bill. It would kill them politically because it would never come out of the first committee. A rent rebate was defeated on the basis of proposition 13. And this is what they're handing us out, the politicians.

Why do you think Carter is here tonight and Jerry's going to be here, too, Jerry Brown? Anything for the seniors take months to pass. This is what's going on all the time, and let me tell you, when Carter monkeyed with the social security, he bit off more than he planned to, because they had an organized effort; there were over 800 calls to him and over 12,000 letters. He had to move out of there if he wants to be President again. I mean we're sick and tired of them not realizing that the things we worked for are coming to us. My generation has helped build this country. We're entitled to something, not just crumbs, second-class citizens, people who have worked for years living on \$300 a month when the cost of living went up last year 15.7 percent. Jerry offers us 6 percent. He's not going to get away with it, you know that.

Let me tell you something. The California Legislative Council has a rally every year in Sacramento. We develop a program and we present it to our legislators. We have invited the Governor every year; he's never showed up. This year again we invited him and he had the head of the Department of Aging call me and tell me a story that he'll be there. We wrote him another letter, we never got an answer. But he wants the publicity.

MR. ROSENTHAL. Listen, you have been, I must say, a very refreshing witness, and you, too, and we're very indebted to you. I do want to tell you something. This is not just another hearing.

Mrs. BROWN. That's what I want to hear.

MR. ROSENTHAL. It's not just another hearing. We are spending a lot of time going around the country, getting the views of private citizens and public officials so that hopefully we can direct congressional attention, the President's attention, to whether or not the wage-price guidelines are working. If they're not working, we're going to have to do something about it.

Mrs. BROWN. He's talking about increasing military defense. This is really a joke: \$123 billion isn't enough. He added \$9 billion more, \$12 billion more, and now he's talking about—I don't want to mention his name, but I have to. We have to defend our shores. How much? Isn't 50 times—you've got the equipment to kill the world 50 times. Isn't that enough to defend our shores?

MR. ROSENTHAL. OK. Are you glad I came here? Are you glad Mr. Williams came, too?

Mrs. BROWN. Let me just—

MR. ROSENTHAL. You know, we didn't sleep all night long coming here to get here on time this morning. [Laughter.]

Mrs. BROWN. I'm glad you have a sense of humor. I have one too. I was ready to say something, but now I won't.

MR. ROSENTHAL. Don't say it; it will look bad in the record.

Thanks very, very much.

Mrs. BROWN. Thank you very much.

Mr. ROSENTHAL. Mr. Stephen Brown, AFL-CIO California Labor Federation.

Mr. Brown, it's delightful to have you here.

STATEMENT OF STEPHEN BROWN, AFL-CIO COMMUNITY SERVICES

Mr. BROWN. Thank you.

Mr. ROSENTHAL. You'll be a big disappointment after the other witnesses.

Mr. BROWN. I don't think she left anything for me to say.

Mr. ROSENTHAL. I don't think so either.

Mr. BROWN. I was asked to come here by the AFL-CIO in California. I thought it might be a little bit more informative if I talked about what the price watch program is doing locally in a countywide situation rather than what the State, Fed or what the AFL-CIO in general is doing. So what I would like to do is give you some idea of what the AFL-CIO price watch looks like in Contra Costa County.

Demographically, Contra Costa County is the easternmost of the five bay area counties and has approximately, I believe, around 600,000 residents. About one-tenth of those are union families.

Mr. ROSENTHAL. Without objection, I'm going to put your entire statement in the record.

Mr. BROWN. Certainly. Thank you.

The program itself is designed to do just what the title says, to monitor prices, the problem being that we have one figure to deal with, with wages, 7 percent, and that's simple, anybody can remember 7 percent. We don't have any problem with that. But there's no one figure for prices. And if you ask 10 people on the street corner whether or not they can tell you if a price increase met with the guidelines, they couldn't. There's no way to tell. You have to be a mathematician to understand the price guidelines. The deceleration program, I don't understand, I don't have any idea. It sounds good to decelerate. I think we need to do that, but I don't know how to figure it. So, as I understand it, President Meany offered to President Carter a proposal to monitor prices using union volunteers and that's what we've tried to do in Contra Costa County.

Basically what we've done is to begin by passing resolutions as all good labor bodies do. We passed a resolution to endorse the concept of the price watch and then produced materials and sent them out to our 90 affiliates in the county, 90 affiliated unions. Those materials were then dispersed to those union members with a request that they actually do the price monitoring in the stores in their community.

Now, the program in Contra Costa County is new, it's just gotten started. We've been working for approximately 1 month. But what we've done is we've gone back and gone through some old newspapers and collected as much material as we could to have something to show you what prices look like in Contra Costa County and surprisingly enough, the prices that we monitored actually declined by one-half percent in the month of March, which is the only month we have figures for. That's the overall. The figures are in the record, but just to give you an idea, while there was a one-half percent decline in the overall prices, certain items, such as we've heard mentioned here this morning, hamburger, for one, was up 12.8 percent in 1 month.

Mr. ROSENTHAL. On an annual basis 12.8 percent?

Mr. BROWN. Pardon me?

Mr. ROSENTHAL. On an annual basis?

Mr. BROWN. This is a 1-month period.

Mr. ROSENTHAL. In 1-month it went up 12.8 percent?

Mr. BROWN. Yes. This is an average of five different stores in the Contra Costa County area.

The chicken, because diets are shifting now, people are beginning to have to find alternatives, chicken was up 7.9 percent.

Mr. ROSENTHAL. In 1 month?

Mr. BROWN. In 1 month.

The main problems seems to be, and the main objection that organized labor has with the wage and price control, is the fact that it is one sided and, as I mentioned before, we just have no way of really understanding price controls. The wage controls I understand. Union wages in 1978 for the building trades increased 6.2 percent and union wages in general increased approximately 7.7 percent. If you compare that to the price index, we all know the Consumer Price Index is currently hovering around 13 percent. And you pick up headlines every day concerning corporate profits and you find that last year, in the last quarter of 1978, the average corporate profit was at the highest level in history. I think General Motors alone reported a fourth quarter aftertax profit of \$1 billion.

Mr. ROSENTHAL. Are you continuing your monitoring in the community here?

Mr. BROWN. Yes, we are.

Mr. ROSENTHAL. Who did you furnish these figures to?

Mr. BROWN. These figures are going back to Washington, D.C.

Mr. ROSENTHAL. You mean to the AFL-CIO?

Mr. BROWN. AFL-CIO headquarters and will there be correlated and sent on to the Wage Price Control.

Mr. ROSENTHAL. And how many people did you use for this monitoring effort?

Mr. BROWN. Currently in the Contra Costa County area there are approximately, it's very difficult to say because 1 month you might get someone who will send you something and then the next month they fail to, but I'd say there were approximately 20, 25 people that are doing this on an ongoing regular basis that I can depend on.

Mr. ROSENTHAL. They're reliable people?

Mr. BROWN. Yes, these are reliable union people. So I think that the prices and the information we are going to get out of the price watch program is going to be reliable information. I was a little surprised myself to find out that the cost had actually gone down one-half percent in March, and I didn't really want to come in and tell you that the prices were going down. But that's the information we got.

Mr. ROSENTHAL. That's OK.

OK, thank you very, very much. The entire statement will be inserted in the record, together with the information that we have.

[Mr. Brown's prepared statement follows:]

PRICE WATCH PROGRAM

Steve Brown
Director, AFL-CIO Community Services

=====
At the request of President George Meany, the Contra Costa Central Labor Council has voted to adopt a resolution in support of the AFL-CIO Price Watch Program.

The Community Services Committee within the Council has been given the task of organizing and implementing the plan in the County.

The plan itself is basically nothing more than a concerted effort by consumers to do the job not being done by the Council on Wage and Price Stability.

The Central Labor Council, appreciates that with only 200 employees at it's disposal, the Wage and Price Council can do little more than monitor those increases that are highly visable and whose figures are easily available.

For this reason, unions find themselves in a very difficult and unfair position. Contract settlements receive nation wide media coverage. Executive salaries receive no such attention. Price compliance by individual firms receive no such attention.

During the controls period of World War II, 63,000 people were employed by the office of Price Stability to assure compliance with the program.

While employers eagerly enforce the 7% wage guidelines, there is no single number for prices. There are no effective methods of enforcing price controls.

The general public, while being fully aware of the 7% wage guideline, has no way of knowing if price increases are in compliance.

And.....

For all practical purposes the basic necessities of food, housing, and medical costs are excluded from trenchant controls.

Health care, easily one of the most inflationary elements in consumer prices, is urged to follow a voluntary deceleration plan.

RESULT:?

Conservative estimates show hospital costs rising at 13 to 15% per year. One dollar out of every 11 spent in the U.S. today goes for health care (U.S. News & World reports - 3/4/79 issue.)

The average selling price of a new home has increased 80% in the last five years. That figure is expected to increase by at least 10% this year. (Changing Times - March 1979 issue) In California interest rates of 11% are preventing many working people from qualifying for loans and discouraging those who can, from buying.

After soaring 10.5% in 1978, prices in retail grocery stores show no hint of slowing. Grocery prices in January, adjusted for seasonal factors, climbed at an annual rate of 21% (U.S. News & World Reports - 3/12/79 issue)

In light of the impact of these inflationary figures on the average worker in America, consider this headline from U.S. News & World Reports February 19, 1979 issue:

"American Corporations enter 1979 with their profits at the highest level in history."

General Motors reported a 4th quarter after tax profit of 1 billion dollars in 1978.

Now, while I still have time I would like to explain the AFL-CIO PRICE WATCH PROGRAM campaign in Contra Costa County, including current activities and future plans.

As I mentioned before the Central Labor Council has adopted a resolution supporting the program.

Letters and materials have been sent out to some 90 affiliated locals throughout the county urging them to take an active part in the price monitoring.

The Community Services representative for the county has contacted senior citizen and consumer groups urging them to join in the effort.

Forms have been reproduced and made available to the community, along with training in their use.

The program is just getting under way. However, research of local newspapers in the county have revealed a few interesting facts.

Gasoline prices for the month of March increased an average of 5.4¢ per gallon with unleaded leading the way at 8.3¢.

Useing a survey of five major markets in the County, the following is a list of changes over a one month period from March '79 to April '79. (attached chart)

FOOD PRICES IN CONTRA COSTA

Product	A	B	C	D	E	Avg	'74	%	'69	%
Bread (white)	.49	.39	.38	.39	.39	.41	.25	64%	.29	41.3%
Coffee (2-lb can)	4.59	4.43	4.67	4.39	3.99	4.41	1.69	160.9%	1.09	304.5%
Paper Towels	.53	.61	.59	.62	.59	.59	.29	103.4%	.27	118.5%
Eggs (one dozen)	.85	.85	.82	.89	.83	.85	.63	34.9%	.44	93.1%
Cereal (Cheerios 15oz)	1.47	1.17	1.16	1.17	.99	1.31	.59	122%	.48	172.9%
Potatoes (10#bag)	.69	.95	.57	.99	.89	.82	1.29	-36.4%	.49	67.3%
Ice Cream (½gal)	1.55	1.25	1.25	1.55	1.39	1.34	.69	94.2%	.68	97.0%
Sugar (5#, C&H)	1.23	1.21	1.23	1.23	1.12	1.20	.99	21.2%	.60	100.0%
Cocoa (1#NestleQuik)	1.75	1.63	1.69	1.71	1.65	1.69	.78	116.6%	.44	284.0%
Frozen Vegetables (20oz peas)	.66	.79	.96	.69	.59	.74	.43	72.0%	.40	85.0%
Peanut Butter (Old F)	1.19	1.03	1.20	1.29	1.15	1.17	.77	52.0%	.49	138.7%
Strawberry Jam (18oz)	1.15	.97	1.09	1.21	.99	1.08	.65	66.1%	.48	125.0%
Cola (Coca Cola 6pk)	1.19	1.75	1.73	1.75	1.29	1.54	.89	73.0%	.69	123.0%
Hamburger (30% grind)	1.39	1.39	1.28	1.39	1.28	1.33	.88	51.0%	.43	209.0%
Chicken (whole fryer)	.69	.75	.55	.63	.53	.63	.44	43.1%	.32	96.8%
Filet of Sole	3.69	2.49	3.39	3.89	3.49	3.39	1.25	171.2%	.85	298.8%
Porterhs Steak	3.59	3.29	2.89	3.59	3.59	3.39	1.95	73.8%	1.26	169.0%
Bacon (1 lb)	1.69	1.59	1.29	1.59	1.39	1.51	.89	69.6%	.49	208.0%
Apples (Wash/Del)	.57	.59	.45	.59	.59	.56	.29	93.0%	.25	124%
Lettuce	.69	.79	.59	.59	.49	.63	.39	61.5%	.29	117.2%
Tomatoes	.49	.38	.49	.79	.39	.51	.29	51.2%	.29	51.2%
Tomato Paste (6oz)	.25	.25	.25	.29	.25	.26	.17	52.9%	.15	73.3%
Chicken Noodle Soup	.26	.27	.26	.26	.25	.26	.15	73.3%	.14	85.7%
Canned Tuna	.67	.67	.71	.69	.59	.67	.45	48.8%	.32	109.3%
Baby Food	.22	.19	.22	.22	.21	.21	.12	75.0%	.09	133.3%
Potato Chips (TwinPk)	.95	.79	.93	.89	.59	.83	.75	10.6%	.43	93.0%
Detergent (Tide Gtaz)	1.59	1.59	1.57	1.49	1.44	1.54	.59	159.3%	.49	212.2%
Toilet Tissue (4r/pk)	.95	.85	.85	1.11	.79	.91	.79	15.1%	.29	213.7%
Tampans (Tampax 40c)	2.19	2.09	1.89	2.25	1.79	2.04	1.39	46.7%	1.09	87.1%
Razor Blades (Gillette Trac II)	2.45	2.39	2.39	2.35	2.19	2.35	1.15	104.0%	.95	147.3%
Disposal Diapers (Pampers)	2.54	2.89	2.95	2.69	2.89	2.82	1.75	61.0%	1.50	88.0%
Flour (5# bag)	.82	.73	.69	.82	.73	.76	.89	-14.6%	.39	94.8%
Toothpaste (Colgate lg)	.89	.89	.88	.89	.79	.87	.75	16.0%	.63	38.0%
TOTALS	\$43.92	41.90	41.86	44.89	40.82	42.57	25.70	65.6%	18.74	127.1%

(Source: Contra Costa Times - March '79)

CONTRA COSTA GROCERY SURVEY

<u>Product</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>April</u> <u>Avg.</u>	<u>March</u> <u>Avg.</u>	<u>Change</u>
Bread (white)	.39	.39	.38	.39	.39	.39	.41	-4.6%
Coffee (2#can)	4.39	4.49	4.39	4.29	4.29	4.37	4.41	-.9%
Paper Towels	.53	.58	.59	.62	.55	.59	.59	0.0%
Eggs (one dozen)	.87	.85	.95	.85	.85	.87	.85	+2.3%
Cereal(Cheerios 15oz)	1.17	1.13	1.09	.98	1.16	1.11	1.31	-15.2%
Potatoes (10# bag)	.69	.89	.59	.89	.79	.77	.82	-6.0%
Ice Cream (½ gal)	1.59	1.29	1.29	1.55	1.29	1.40	1.34	+4.4%
Sugar (5lbs,C&H)	1.25	1.21	1.21	1.25	1.21	1.23	1.20	+2.5%
Coca (Nestle Quik 1#)	1.65	1.63	1.69	1.71	1.65	1.66	1.69	-1.8%
Frozen Vegetables (20 oz peas)	.65	.69	.72	.55	.59	.84	.74	+13.5%
Peanut Butter(Old F -1#)	1.23	1.23	1.05	.99	1.15	1.13	1.17	-3.5%
Strawberry Jam (18 oz)	1.15	1.05	1.09	1.29	1.25	1.16	1.08	+7.4%
Cola (CocaCola 6-pack)	1.89	1.45	1.42	1.39	1.29	1.49	1.54	-3.2%
Hamburger (30% grind)	1.58	1.59	1.38	1.59	1.39	1.50	1.33	+12.8%
Chicken (Whole Fryer)	.82	.66	.57	.79	.55	.68	.63	+7.9%
Filet of Sole	3.69	1.99	3.39	2.59	3.45	3.02	3.39	-10.9%
Porterhouse Steak	3.29	3.39	3.08	3.49	3.79	3.40	3.39	+3%
Bacon (1 lb)	1.49	1.59	1.19	1.55	1.69	1.50	1.51	-.6%
Apples (Wash/Delicious)	.59	.59	.39	.59	.69	.57	.56	+1.7%
Lettuce	.49	.39	.39	.49	.39	.43	.63	-31.0%
Tomatoes	.89	.89	.89	.89	.69	.85	.51	+66.0%
Tomatoe Paste (6oz)	.26	.27	.25	.29	.25	.26	.26	0.0%
Chicken Noodle Soup	.26	.21	.24	.26	.26	.25	.26	-3.8%
Canned Tuna	.57	.77	.67	.69	.59	.67	.67	0.0%
Baby Food	.24	.21	.22	.22	.22	.22	.21	+4.7%
Potatoe Chips (TwinPack)	.95	.83	1.03	.92	.89	.92	.83	+10.8%
Detergent (Tide gt size)	1.65	1.69	1.57	1.59	1.49	1.58	1.54	+2.5%
Toilet Tissue (4roll pk)	.87	.85	.85	.87	.79	.85	.91	-6.5%
Tampons (Tampax 40count)	2.19	2.09	2.09	2.25	2.35	2.20	2.04	+7.8%
Razor Blades (Gillette)	2.59	2.19	2.44	2.35	3.19	2.35	2.35	0.0%
Disposable Diapers (Trac II)	3.09	3.05	3.05	2.69	2.89	2.95	2.82	+4.6%
(Pampers)								
Flour (5# bag)	.82	.73	.73	.82	.75	.77	.76	+1.3%
Toothpaste (Colgate lg)	.79	.99	1.04	.89	.99	.94	.87	+8.0%
TOTALS	\$42.98	42.02	41.92	42.57	42.27	42.35	42.57	-.5%

(Source: Contra Costa Times - March '79)

Mr. ROSENTHAL. Our next witness is Milton Keenan, Bureau of Labor Statistics.

Mr. Keenan, nice of you to be here. Mr. Keenan is the Assistant Regional Commissioner for Economic Analysis and Information, U.S. Bureau of Labor Statistics.

Do you have a statement?

STATEMENT OF MILTON A. KEENAN, ASSISTANT REGIONAL COMMISSIONER, BUREAU OF LABOR STATISTICS

Mr. KEENAN. I have a statement and it's in the record. I think if it's all right with you, sir, I shan't read it.

Mr. ROSENTHAL. Without objection, the statement will be put in the record.

Mr. KEENAN. I think the statement I made will back up practically everything that's been said here this morning.

Mr. ROSENTHAL. Well, go ahead.

Mr. KEENAN. Our Consumer Price Index, for example, here in the San Francisco-Oakland area reports approximately what Mr. Brown just reported about meat prices. For example, in San Francisco-Oakland area since December 1977, meat, poultry, fish, and egg prices have gone up over 28 percent.

Mr. ROSENTHAL. Twenty-eight percent?

Mr. KEENAN. Twenty-eight percent.

Mr. ROSENTHAL. For what period?

Mr. KEENAN. December 1977 to February 1979.

Nationwide they've gone up slightly more than that even, 29½ percent. Fruits and vegetable prices in this area over the same period rose about 24½ percent whereas nationwide they've gone up about 18 percent.

Mr. ROSENTHAL. Tell us about housing.

Mr. KEENAN. Housing here, because of the effects of proposition 13, housing costs here in the bay area have not risen as much as they have nationwide over the period that we're talking about. They only went up 6 percent here, 12 percent nationwide.

However, I think it's interesting to look at the figures on rents. Rents in this area went up 6½ percent as opposed to 8.3 percent nationwide.

Mr. ROSENTHAL. The testimony we've had here today from a few people left me with the feeling that the situation was acute in terms of housing costs.

Mr. KEENAN. It probably is for people who are on fixed incomes, it's very acute because most of the income of lower-income people goes to housing. Approximately in 1972, I think, the figures were about, with incomes of under \$3,000, almost 40 percent of their income went to housing.

Mr. ROSENTHAL. What is the average cost of rental houses in this—

Mr. KEENAN. I don't know, sir. We don't have the figures in that manner. The Consumer Price Index measures a change.

Mr. ROSENTHAL. How about medical care?

Mr. KEENAN. Medical care in this area has risen slightly higher than it has nationwide, slightly over 12 percent as opposed to 11 percent.

Here, again, these are, as you are aware, I'm sure, that inflation is the cruelest tax going. It strikes everyone, but it strikes the poor more

than it strikes any other income group because most of their income goes to necessities. As you can see, there are some areas where prices have even gone down here in the bay area as opposed to nationwide.

Mr. ROSENTHAL. You said in your statement that over the past 6 months the office has answered some 90,000 individual requests. That sounds astronomical.

Mr. KEENAN. Well, it's the truth. That phone downstairs is going all the time.

Mr. ROSENTHAL. What are people asking?

Mr. KEENAN. Well, about 80 percent of those questions are on prices, what have prices done. We get calls from business organizations, labor unions as far as their escalator clauses are concerned. We just recently put in a telephone hotline. We record the message on it and what's happening to the Consumer Price Index here in the San Francisco area and nationwide. We just put that in about 2 months ago. Last month we got 800 calls on that machine and I expect they're going to go up. Down in Los Angeles, we have an office down there and they're picking up 900 calls a month.

Mr. ROSENTHAL. Let me ask you the key question. Have the wage-price guidelines had any discernible effect or what effects have they had on—

Mr. KEENAN. Yes, I think they have had some effect.

Mr. ROSENTHAL. How?

Mr. KEENAN. Well, for example, this morning, if I can find it, our Acting Commissioner Janet Norwood, spoke before the Joint Economic Committee of Congress and this is what she said, and I quote:

"In summary, I believe it is clear that a considerable amount of upward pressure still exists in the nonfood sector of economy in April. The food situation, on the other hand, improved considerably, both in terms of consumer finish food prices and crude food prices. This improvement should be reflected in the retail level quickly.

Mr. ROSENTHAL. Those areas are not covered by the wage-price guidelines.

Mr. KEENAN. Well, you can make your opinion from there.

Mr. ROSENTHAL. No, no, I don't think so.

Mr. KEENAN. Yes.

Mr. ROSENTHAL. There are certain areas, energy, food, interest rates, health care, which are not covered.

Mr. KEENAN. Right. I realize that, sir, and these things are going up quite rapidly. Gasoline prices at the wholesale level, for example, over the year have gone up over 24 percent. Fuel oil has gone up approximately, I've got the data here if you want the exact figures, if I remember correctly about 28 percent.

Mr. ROSENTHAL. What's the latest figures you have for this community, that's what I'm interested in?

Mr. KEENAN. For consumer prices, February 1979. The next figures will come out for April the latter part of May.

Mr. ROSENTHAL. And the latest figures you have in all of these areas, tell us what they are.

Mr. KEENAN. Well, I told you some, you know, that prices here, because of proposition 13 and the rollback in electricity prices and because the P.G. & E., our local, Pacific Gas & Electric Co., and other utilities were allowed to increase their prices on electricity because of

the drought that we had in California in 1977, recently, while they were cut back in April, May, and October, prices of electricity went down and so they're reflected in the figures that I brought here today. But leaving out those two items, I think prices have gone up as rapidly here as they have throughout the Nation.

Mr. ROSENTHAL. You collect actual information in stores as to how much each store is charging?

Mr. KEENAN. Right.

Mr. ROSENTHAL. Do you ever make any of that information public?

Mr. KEENAN. As far as the prices in the individual stores, no, sir.

Mr. ROSENTHAL. Wouldn't that be a useful thing?

Mr. KEENAN. It probably would, but the information we collect is on a confidential basis.

Mr. ROSENTHAL. What do you mean confidential? Anybody can walk into Safeway and look at the prices.

Mr. KEENAN. That's right.

Mr. ROSENTHAL. There's nothing confidential about that.

Mr. KEENAN. That's right.

Mr. ROSENTHAL. So why don't you make that public?

Mr. KEENAN. Because we collect it on a confidential basis and when I was employed by the Bureau of Labor Statistics, I signed a pledge that I would keep all information given to me as confidential. That's a condition of my employment.

Mr. ROSENTHAL. That's a joke.

Mr. KEENAN. It may be. Only the Commissioner is allowed to disseminate information.

Mr. ROSENTHAL. If I followed you around when you collected it and I made it public, it would be perfectly OK.

Mr. KEENAN. It would be all right, sir, yes.

Mr. ROSENTHAL. You're afraid to make it public.

Mr. KEENAN. I'm not afraid, it's just that I can't.

Mr. ROSENTHAL. I'm just curious. Some of these people said that Safeway charges more than the other stores I wonder if you found the same thing.

Mr. KEENAN. I don't see the individual data.

Mr. ROSENTHAL. You don't see the individual data.

Mr. KEENAN. I couldn't comment on that at all.

Mr. ROSENTHAL. OK. Thank you very, very much.

Mr. KEENAN. May I—

Mr. ROSENTHAL. Is there anything else you think you ought to tell us for the record?

Mr. KEENAN. Let me say one thing. I think these hearings are extremely important. I think how society treats its elderly and its poor, it judges that society.

Second, I think that the information that you're hearing here is contained, the information you are hearing here, that information is contained in many of our publications.

Mr. ROSENTHAL. I know, but your publications are dull and unreadable stuff.

Mr. KEENAN. I know statistics are very dull.

Mr. ROSENTHAL. Even people like me who try to read them can't do it.

Mr. KEENAN. Well, I would like to spend a day with you, if I could, and interpret some of the stuff that is in here.

Mr. ROSENTHAL. I don't think I could handle it.

Mr. KEENAN. Well, I wish you could, sir.

Mr. ROSENTHAL. Thanks very, very much.

[Mr. Keenan's prepared statement follows:]

Statement of
Milton A. Keenan
Assistant Regional Commissioner
for Bureau of Labor Statistics, Pacific Region

before the

Commerce, Consumer, and Monetary Affairs Subcommittee
on Government Operations

May 4, 1979

Mr. Chairman and Members of the Committee:

I wish to express the regrets of Mr. Bruce Hanchett, Regional Commissioner, that he is unable to be here this morning. I am glad to have this opportunity to offer the Commerce, Consumer, and Monetary Affairs Subcommittee on Government Operations a few short remarks on the pattern of changes in consumer prices which I hope will provide a statistical background to your deliberations today here in the City of St. Francis.

Before I get into the topic of the trend of inflation here and nationwide, I thought you might be interested in some data showing the concern of people in this part of the country about inflation. Over the past six months, this regional office has answered some 90,000 individual requests for information, and a good 80 percent of them were requests for price data. The volume of requests received in this office for information on prices has almost doubled over the past year. Recently, we installed a CPI telephone hotline here in San Francisco. Monthly, we record a message containing the most recent San Francisco-Oakland and U.S. average CPI data. Users call in on a special telephone line to obtain the data. After less than two months operation, the number of callers last month approached 800, and we expect more this month. A similar device in our Los Angeles office is running about 900 calls a month. Naturally, the requests that come directly into our offices represent only a small portion of the number of data users. Many users receive the data from either the almost 18,000 copies of our monthly release "Consumer-Price Index-Pacific Cities and U.S. Average" distributed through our regional mailing list, or from secondary sources--newspapers, radio and television stations, trade journals or through business and labor organizations.

In covering the statistical background of inflation, I believe it best to look at consumer price changes over a long period of time (several years) and then a shorter one. The best set of data available to measure consumer price movements is the Bureau's Consumer Price Index, one of the most used and misused statistics produced by the Federal Government. The Consumer Price Index is a measure of the average change over time in prices of a fixed market basket of goods and services. It is widely accepted as a measure of inflation. It is not a cost-of-living index but it does measure one very important segment of changes in living costs-- changes in consumer prices. The CPI does not measure differences in living costs between areas. It does, however, show if prices in one area are increasing or decreasing more or less rapidly than in another.

Since December 1977, the Bureau has been publishing two Consumer Price Indexes: one for all urban consumers, and the other for urban wage earners and clerical workers. I have chosen to use in this presentation the former, as it covers twice the number of people.

Over a long run of time, the rate of consumer price change for most goods and services among geographical areas seems to equalize. From 1967 (the base year for the CPI) to February 1979 (the most recent data available for this metropolitan area), all urban consumer prices here in the San Francisco-Oakland Area rose 103.9 percent while the U.S. city average increased 107.1 percent. The same close relationship also exists for the seven major groups of consumer expenditures. Over the same period, food and beverages prices rose 118.3 percent here against 122.4 percent nationwide; housing 111.6 percent as opposed to 115.6 percent; apparel and upkeep 65.4 percent as opposed to 61.4 percent; transportation 96.8 percent to 95.6 percent; medical care 131.4 percent to 132.6 percent; entertainment 76.4 percent to 83.2 percent, and other goods and services 94.2 percent to 91.9 percent. To show how close these figures are, if we annualized the percentage change over the approximate 13-year period the major group with the greatest index point difference--entertainment, we would find that the San Francisco-Oakland index rose at a rate of 4.5 percent each year, while the U.S. average index rose at a rate of 4.8 percent each year.

However, looking within each major group of consumer expenditure, there are a few differences which stand out. In the food and beverages group, the change in dairy products prices in the San Francisco-Oakland Metropolitan Area was 84.3 percent over the period as opposed to the U.S. average of 100.6 percent. In the housing group, a wide spread exists in the percentage change for gas (piped) and electricity--91.1 percent here and 141.2 percent throughout the U.S. In the apparel and upkeep group, women's and girls' apparel in the San Francisco-Oakland area increased 61.7 percent while advancing 47.7 percent nationwide. In the transportation group, public transportation here rose 60.7 percent, nationwide 90.7 percent.

In the short run, differences in the rate of price changes among geographical areas are more pronounced. Between December 1977 when the Bureau introduced its revised Consumer Price Index figures for the San Francisco-Oakland Metropolitan Area and the latest available--February 1979, the all items index for urban consumers in this area rose 8.9 percent as opposed to 11.3 percent nationwide. Much of this difference is because housing costs here rose at half the national rate: 6.0 percent in San Francisco-Oakland area, 12.1 percent nationwide. This was due to several events in California. One was the passage of Proposition 13 which lowered property taxes in California approximately 60 percent. Another was the lowering of the rates for electricity. Gas (piped) and electricity in San Francisco-Oakland declined 2.0 percent but rose 10.2 percent nationwide. Electricity rates in Northern California were cut in April, July and in October 1978 as a rollback to the increases granted during the drought of 1976/77. The smaller increase in housing costs here than nationwide was somewhat offset by a more rapid advance in apparel and upkeep prices which increased 8.1 percent here and 2.0 percent nationwide. While women's and girls apparel prices declined 1.8 percent throughout the country they advanced 12.1 percent here.

I've attached three tables to the copy of my remarks. The first two cover in more detail the two time periods. The third is a table showing the relative importance of expenditure categories in the Consumer Price Index for All Urban Consumers as of December 1977. These figures have

been calculated for the U.S. city average and for each metropolitan area for which a Consumer Price Index is published by the Bureau. The relative importance of a component of the Consumer Price Index is its expenditure or value weight expressed as a percentage of all the items. During the intervals between major revisions the quantities and qualities of goods and services priced for the index are kept essentially unchanged so that any movement in the CPI from month to month is due to changes in prices. Consequently, the value weights and the corresponding relative importance ratio are adjusted by the different rates of price change among the various items, i.e. the relative importance increases for an item or group having a greater than average price increase and a decrease for one having less than an average price increase.

These figures are important because they afford us an opportunity to measure the impact on an area's CPI of the same percentage change in one component. For example, housing in the San Francisco-Oakland Metropolitan Area had a relative importance of slightly more than 49 percent in December 1977 as opposed to almost 44 percent nationwide. What this means is that if housing costs were to increase the same percent throughout the country, the impact on the San Francisco-Oakland area's Consumer Price Index for All Urban Consumers would be relatively greater than nationwide. The table shows that with a relative importance of homeownership standing at 30 percent here in the San Francisco-Oakland Metropolitan Area and slightly less than 23 percent nationwide, the same change in homeownership costs would have an impact of almost one-third again on the San Francisco-Oakland All Items Index as on the U.S. city average index. Conversely, the same price increase for food at home would have less impact here in the San Francisco-Oakland area than it would nationwide.

Table 1
 Consumer Price Index: All Urban Consumers
 Percent change from 1967 to February 1979

Expenditure Category	San Francisco- Oakland Metro Area Index	United States City Average Index
All Items	103.9	107.1
Food and beverages	118.3	122.4
Food	124.7	128.2
Food at home	129.0	128.0
Cereals and bakery products	113.2	112.2
Meats, poultry, fish and eggs	139.2	132.3
Dairy products	184.3	100.6
Fruits and vegetables	128.6	126.5
Other food at home	169.9	161.9
Food away from home	114.4	133.4
Alcoholic beverages	60.0	67.7
Housing	111.6	115.6
Shelter	122.3	125.9
Rent, residential	82.3	71.0
Other rental costs	122.3	124.8
Homeownership	142.2	145.6
Fuel and other utilities	97.1	123.3
Fuels	91.7	159.3
Gas (piped) and electricity	91.1	141.2
Household furnishings and operation	90.4	86.0
Apparel and upkeep	65.4	61.4
Apparel commodities	61.0	56.3
Men's & boys' apparel	59.6	56.7
Women's & girls' apparel	61.7	47.7
Footwear	62.0	68.9
Transportation	96.8	95.6
Private transportation	99.1	95.5
Public transportation	60.7	90.7
Medical care	131.4	132.6
Entertainment	76.4	83.2
Other goods and services	94.2	91.9

Table 2
 Consumer Price Index: All Urban Consumers
 Percent Change From December 1977 to February 1979

Expenditure Category	San Francisco- Oakland Metropolitan Area	United States City Average
All Items	8.9	11.3
Food and beverages	16.1	15.9
Food	16.7	16.3
Food at home	18.1	17.7
Cereals and bakery products	15.1	12.3
Meats, poultry, fish and eggs	28.3	29.5
Dairy products	8.7	13.4
Fruits and vegetables	24.6	17.7
Other food at home	8.4	7.7
Food away from home	13.9	13.2
Alcoholic beverages	10.7	9.5
Housing	6.0	12.1
Shelter	5.9	14.0
Rent, residential	6.5	8.3
Other rental costs	18.9	17.0
Homeownership	5.5	15.3
Fuel and utilities	-2.4	7.6
Fuels	-1.7	10.5
Gas (piped) and electricity	-2.0	10.2
Household furnishings and operation	11.3	8.8
Apparel and upkeep	8.1	2.0
Apparel commodities	8.1	0.6
Men's and boys' apparel	4.0	-0.7
Women's and girls' apparel	12.1	-1.8
Footwear	6.4	5.8
Transportation	9.5	9.4
Private transportation	10.1	9.8
Public transportation	1.8	2.3
Medical care	12.2	11.1
Entertainment	7.1	7.1
Other goods and services	11.0	7.9

Table 3
 Consumer Price Index: Relative Importance of Expenditure Categories
 for All Urban Consumer Components, December 1977

Expenditure Category	San Francisco- Oakland Metropolitan Area	United States City Average
All Items	100.000	100.000
Food and beverages	16.442	18.813
Food	15.083	17.718
Food at home	9.765	12.235
Cereals and bakery products	1.138	1.530
Meats, poultry, fish and eggs	3.159	3.943
Dairy products	1.274	1.654
Fruits and vegetables	1.479	1.759
Other food at home	2.715	3.349
Food away from home	5.318	5.483
Alcoholic beverages	1.359	1.905
Housing	49.394	43.911
Shelter	37.411	29.181
Rent, residential	6.845	5.624
Other rental costs	.551	.711
Homeownership	30.016	22.846
Home purchase	13.350	9.967
Financing, taxes, and insurance	14.516	9.211
Fuel and utilities	4.249	6.516
Fuels	2.133	4.289
Gas (piped) and electricity	2.054	3.391
Household furnishings and operation	7.734	8.215
Apparel and upkeep	5.049	5.800
Apparel commodities	4.425	5.137
Men's and boys' apparel	1.271	1.646
Women's and girls' apparel	1.775	2.044
Footwear	.611	.716
Transportation	17.181	18.027
Private transportation	15.995	16.930
New cars	2.953	4.039
Used cars	2.524	3.020
Gasoline	3.994	4.205
Maintenance and repair	1.768	1.516
Public transportation	1.187	1.097
Medical care	4.695	4.969
Medical care services	3.922	4.110
Entertainment	4.102	4.085
Other goods and services	3.137	4.394

Mr. ROSENTHAL. Our next witness is Michael Spiegel, assistant attorney general, State of California.

Do you do anything to help anybody?

STATEMENT OF MICHAEL SPIEGEL, ASSISTANT ATTORNEY GENERAL, STATE OF CALIFORNIA

Mr. SPIEGEL. We think we are.

Mr. ROSENTHAL. Well, tell us.

Mr. SPIEGEL. All right. I was asked to talk about the gasoline, what we've done in terms of gasoline prices. In that connection, as a result of the 1972-73 shortages, which we may be seeing in a repeat performance now, we brought a lawsuit in the Federal courts charging the major oil companies with, in effect, price fixing. We brought that case on behalf of the State, political subdivisions, and all of the citizens.

Mr. ROSENTHAL. What happened?

Mr. SPIEGEL. As you may be aware of our judicial system, things move slowly.

Mr. ROSENTHAL. What happened?

Mr. SPIEGEL. We're still in litigation.

Mr. ROSENTHAL. Since 1972?

Mr. SPIEGEL. Since 1975 is when we filed.

Mr. ROSENTHAL. What else have you done?

Mr. SPIEGEL. With regard to gasoline pricing, all we do is try and keep track of what's happening as best we can. One of the problems, of course, is that it's difficult to get information. If you file a lawsuit and use the discovery means, what happens is that you get tied up in the courts for 10 years.

Mr. ROSENTHAL. I was just reading—I know all about the courts—your statement here. You say, "Despite the oversupply of crude"—without objection your whole statement is in the record—"Despite the oversupply of crude available on the west coast, gasoline prices continued to rise." That's what I don't understand. What's happening?

Mr. SPIEGEL. Well, I think you have to understand that the oil companies would like to make more money, and you make money by raising prices. Now, a very interesting thing happened yesterday: as part of this litigation, the deposition was taken of Mr. Otto Miller, who is the retired chairman of the board of Standard Oil Co. in California; he was retired in 1974. He took the adamant position that, all through his tenure as chairman of the board, the Standard Oil Co. wanted to get the highest crude oil prices they could get. They always wanted to raise the price of crude oil because that's how they make money. But the limiting factor on raising the price of crude oil is what you can get in the marketplace for the product, the main product being gasoline. So, in order to accomplish the profitmaking procedure, one has to get the price of gasoline up, so there's where the pressure is going to come.

Now, one of the reasons that, I think, gasoline pricing is not competitive is that the dealers, for one thing, are required to buy their gasoline only from the one oil company whose brand is—

Mr. ROSENTHAL. Is there an oversupply on the west coast?

Mr. SPIEGEL. Of gasoline?

Mr. ROSENTHAL. Yes, crude oil.

Mr. SPIEGEL. There has been an oversupply of crude oil.

Mr. ROSENTHAL. Where is it?

Mr. SPIEGEL. That is a good question. The companies now say there isn't. The statistics that I've seen, that go up into February this year, indicate that if there's any shortfall in the stock, inventory stock of crude oil, it's domestic crude oil that seems to be disappearing, not foreign crude oil.

Mr. ROSENTHAL. Hold it 1 second. Is Mr. Cook here? Mr. Cook, why don't you sit up here, too, so you can help answer some questions.

STATEMENT OF DALE COOK, REGION IX, DEPARTMENT OF ENERGY

Mr. COOK. We're not really here locally having our hands in all these problems.

Mr. ROSENTHAL. Why don't you sit at the table?

For the record, why don't you give your name and your position?

Mr. COOK. I'm Dale Cook. I'm with region IX, Department of Energy.

Mr. ROSENTHAL. Is there an oversupply of crude on the west coast?

Mr. COOK. I have no statistics of that nature.

Mr. ROSENTHAL. Go ahead. Who are you?

Mr. RAIN. My name is Don Rain. I'm the voice for a team called "We The People." On KPO radio last Tuesday, on a connection between Washington, D.C., and San Francisco, we spoke to Governor Brown. Tuesday morning there was a fire at the plant bright enough to shut off the street lights in the surrounding area. We asked at that time for an immediate investigation to be called to examine that refinery and see how much gasoline and oil was stored. As evidence, I introduce Wood River, Ill., a little town with three oil refineries. I have proof from Wood River Labor Local 338 that there is gasoline under the Wood River Refinery, stored in huge caverns. My kids are living on top of more gasoline and oil stored, being taken out, and we say that Wood River, Ill., is just an example of places all over the country where they have refined gasoline and oil stored.

Mr. ROSENTHAL. We'll come to you, sir. Is there any way for the public to know whether there's an abundance of crude oil?

Mr. COOK. We're asking them to file. We have our auditors going into the refineries and checking their books, getting at it. As you know, this week we announced where they were pricing it wrong in one area. Just as fast as we can, we have auditors working, and have been working since 1977, in the various refineries, checking their books, checking their systems of operation, to ascertain these sorts of things. That information is not being accumulated at this point.

Mr. ROSENTHAL. That's a key question. I can't understand it. I just can't understand it.

Mr. SPIEGEL. I can give you some statistics. The oil companies report to the State Board of Equalization on their gasoline inventories. Now the reports are usually about 2 months late, so the numbers I have—I can give you the opening inventories as of February 1979, 200 million gallons more than it was in the previous October. So, just looking across the line from October, November, December, January, and February, the inventory, as reported by 10 oil companies, the grand total in the State of California increased 200 million

gallons. It's on the rise. Now, what happened in March and April won't come in, it will be 2 months late on each month. But looking at that, you can look at the API weekly statistics that the oil companies put out, and you see the same kinds of things.

It doesn't seem to be, again I'm talking about the west coast, it doesn't seem to be any precipitous shortage that's going to be causing people to stand in line—

Mr. ROSENTHAL. But you read today's San Francisco papers, the gas stations are closed at night, they're closed on weekends, and people are panicking out in the countryside, and we got a report that four gas stations in the Mission District of San Francisco haven't had gas for a week and a half. What's going on? Does anybody know what's going on?

Mr. SPIEGEL. I think you put your finger on the problem. I think that there are the people who have the information; it isn't public for one thing. Anything that the oil companies give the Department of Energy is a big secret. Nobody can find out.

Mr. ROSENTHAL. Will they tell you?

Mr. SPIEGEL. No.

Mr. ROSENTHAL. Why won't you tell them to tell you?

Mr. COOK. I don't know.

Mr. SPIEGEL. It's confidential information.

Mr. COOK. What we're doing is, the refineries are reporting to us that they have a shortfall of what crude they have. We have taken this and the allocation—

Mr. ROSENTHAL. When did they report that to you?

Mr. COOK. What?

Mr. ROSENTHAL. When did they report that to you?

Mr. COOK. I don't know. I'm being honest with you. I came down here to fill in for somebody else.

Mr. ROSENTHAL. Who is this somebody else?

Mr. COOK. We have nobody here on the west coast at this particular moment that is tracking this whole thing.

Mr. ROSENTHAL. How is that possible?

Mr. COOK. Because each of the units that are working in here are reporting to entities at Washington. We have an office of special counsel here. The office of special counsel's one assignment is going into the specific refineries and checking into it. The information is given. We collect this totally at the—

Mr. ROSENTHAL. Meantime, all of the population of the west coast is at the mercy of the oil companies.

Mr. COOK. We're going in and verifying it. They're giving us a percentage figure they're operating on. We have a team in Washington that coordinates and puts the whole supply problem together.

Mr. ROSENTHAL. How many people have they got on this team out here? How many people have you got out here?

Mr. COOK. In the Economic Regulatory Administration?

Mr. ROSENTHAL. Yes.

Mr. COOK. There's audit teams in the office of special counsel, teams in each of the areas where there are refineries, and they're working on detail and out of Washington to these units.

Mr. ROSENTHAL. How many people have you got out here?

Mr. COOK. Probably 100.

Mr. ROSENTHAL. What are they doing?

Mr. COOK. They're auditing refineries and completing the reports, taking the same material here, seeing that the production logs of the various refineries are correct.

Mr. ROSENTHAL. When did they start that?

Mr. COOK. In 1977. They are reporting it in, they are fining them, they're reporting, they're bringing court cases, and they're getting at it.

Mr. ROSENTHAL. I mean it's nothing personal; I'm very sympathetic to your situation. Have you ever testified before a congressional committee?

Mr. COOK. No.

Mr. ROSENTHAL. Your first experience.

Mr. COOK. Yes.

Mr. ROSENTHAL. I'm one of the nastiest people you'll ever meet.

Mr. COOK. That's fine.

Mr. ROSENTHAL. But tell us what's going on.

Mr. COOK. All right. What we're doing is, OK, the production run in the refineries is not being run by the Department of Energy, what he does in there. He gives us a—we set up with the individual dealers around the area an allocation, allotment of how much gasoline he's entitled to as a—

Mr. ROSENTHAL. Do you know what the crude oil inventory is in California?

Mr. COOK. No, sir.

Mr. ROSENTHAL. Does anybody in American know?

Mr. COOK. I can certainly get the information provided for you, based on our statistics.

Mr. ROSENTHAL. When? The people are entitled to know what the situation is, whether they're being hoodwinked or not.

Mr. COOK. The point is, the information is available. There are weekly reports on the total production and activity reports. Neither my office nor any of the people in this area prepares this report.

Mr. ROSENTHAL. It's all prepared in Washington?

Mr. COOK. Yes; and we have an Energy Information Administration at Washington, was created by Congress after the 1973-74 embargo, to monitor, control these things, and to provide an independent assessment within the Government. Those people are not here.

Mr. ROSENTHAL. They're in Washington?

Mr. COOK. Yes; they're there.

Mr. ROSENTHAL. Listen, I could get all that information, bureaucratic stuff from Washington, I didn't have to stay up all night to find this out. What the people in California want to know is the following: Is there a crude oil shortage here?

Mr. COOK. The refineries are telling us there is.

Mr. ROSENTHAL. But you don't know.

Mr. COOK. Of the 39 refineries in California, we have an allocation fraction that they're telling us they're capable of producing. We supply this information. We then take the dealers. We're worrying more about the retailer, what can we get for him? He provides that fraction. If we doubt the capability of the particular refinery, we have an office of special counsel, they're going in and checking the books to make sure that the information they are furnishing us is accurate.

Mr. ROSENTHAL. You don't know if there's a crude oil shortage or not?

Mr. COOK. Only by based on what is reported to us and what we're putting out.

Mr. ROSENTHAL. Is there a crude oil shortage?

Mr. COOK. We feel from talking to our people that most of the problem in the area arises because the people are carrying it around in the top half of their tanks.

Mr. ROSENTHAL. What does that mean?

Mr. COOK. They're going in and buying 80 cents' worth of gas, keeping their tanks full.

Mr. ROSENTHAL. You mean the consumers?

Mr. COOK. The consumers.

Mr. ROSENTHAL. Then you're putting all the blame on the consumers.

Mr. COOK. No, no, no.

Mr. ROSENTHAL. Is there a crude oil shortage in California?

Mr. COOK. There is a retail problem at the moment.

Mr. ROSENTHAL. You don't make it easy. I don't understand anything about this stuff, and you are confusing it further.

Mr. SPIEGEL. The consumer may well panic when he reads in the paper, statements by the Department of Energy that there is going to be a shortage and the price is going to be \$1 a gallon. It doesn't take much of that kind of talk, not only to get the consumer nervous but it's an invitation, an open invitation, to the oil companies to do exactly what's been predicted, you're going to see a shortage and you're going to see \$1 a gallon. The prediction is made and it's going to come true.

And looking at the statistics, the API statistics, you can see that in 1979, the percentage of input to the refineries is on its way down. They're running less through these refineries on the west coast clearly than they are on the east coast than in the previous years.

Mr. ROSENTHAL. Mr. Spiegel, what do you think the Federal Government should do, what information is needed?

Mr. SPIEGEL. The policy decision or statements I'm making are not authorized to be made here for the Attorney General, but I think a starting point is people have got to recognize that there are markets. You can't respond to the people in California about a shortage in California by quoting some national statistic or the fact that Exxon Refinery is making fuel oil for the wintertime. That has nothing to do with California. You've got to first have your statistics based on the markets that are affected and understand what those markets are and then you've got to have decent statistics available to people on a reasonably short-term basis so that you know right away what's happening. You don't have to find out 6 or 8 months after the fact and look at it and say, hey, I don't think there was a shortage—but it's too late then.

Mr. ROSENTHAL. Mr. Cook, tell me again so we can understand, is there a crude oil shortage in California? Does anybody know the answer?

Mr. COOK. The refineries have reported to us that they are capable of producing petroleum products in the gasoline market at 92 percent at the present moment. That's the average. Some of the refineries report they have a capability this month to meet 70 percent of their de-

mand and some can meet 90 percent of their demand and some can meet—

Mr. ROSENTHAL. Have you verified any of these figures?

Mr. COOK. No, we have no—we have people that are working at each of the refineries auditing and working with them on this thing and we have brought a number of cases to court where they've—

Mr. ROSENTHAL. So why don't you just say that you don't know the answer and let it go at that?

Mr. COOK. We have the answers.

Mr. ROSENTHAL. Can you get the answer in the next 15 minutes? Can you call up, get the answer, come back and tell us?

Mr. COOK. I doubt it.

Mr. ROSENTHAL. Thirty minutes? Does anybody in your place know if there's a crude oil shortage in California for real? Not what they tell you but for real?

Mr. COOK. No one knows where—other than the reports that we have—

Mr. ROSENTHAL. No, I'm not making myself clear. I'm doing a terrible job. The companies have told you that there's a little bit of a shortage, some companies at 92 percent, others at 70, right?

Mr. COOK. That's right, they have reported a shortage. And Mr. Barthouse in our headquarters has been working with—

Mr. ROSENTHAL. Where is Mr. Barthouse today?

Mr. COOK. He's in Washington, D.C.

Mr. ROSENTHAL. He's not here today?

Mr. COOK. No.

Mr. ROSENTHAL. But he usually works in California?

Mr. COOK. No, sir. One thing that seems to be wrong is that we have people on allocations work out here who work at the retail level. We have people who are in the office or special counsel out here who are investigating on assignment various dealers. We have another group which is the enforcement, that's all the Economic Regulatory Administration people we have here.

Mr. ROSENTHAL. Is there a crude oil shortage in California?

Mr. COOK. According to reports, yes.

Mr. ROSENTHAL. Look, you don't know, the Department of Energy doesn't know. I will tell you what you should do.

Mr. COOK. And I said I would be willing to find the answer.

Mr. ROSENTHAL. You go outside, get some office here to let you use the telephone, call Barthouse and tell him I want to know when they will have completely verified the allegations of a crude oil shortfall in California, right now.

Mr. RAIN. One thing, not just crude but refined stored gasoline.

Mr. ROSENTHAL. Am I asking the right question, Mr. Spiegel?

Mr. SPIEGEL. Well, no, not entirely.

Mr. ROSENTHAL. He says no.

Mr. SPIEGEL. In fact, the input to the refinery is not only crude oil. On the west coast, the refineries run, residual fuel oil is run through as an input as a feed stock to make gasoline. They run more than crude oil.

Let me point one other thing out. You know, from a week-to-week basis, there can be a shortfall and all of these companies have what they call storage and this is what Otto Miller testified to yesterday,

that the way a company works is when things are a little short, you pull from storage. When you correct the situation, you put it back in. So just for somebody to take one little narrow statistic and say, yes, this month we've drawn down so many barrels out of the tank doesn't mean—

Mr. ROSENTHAL. What's the question I should be asking? Am I asking the wrong question?

Mr. COOK. No, I think is there a shortage of crude oil on the west coast.

Mr. ROSENTHAL. But you haven't verified it.

Mr. COOK. And that's what I'll go ask—that question. I came here to talk to you about—I understand your question and your need had to do with what was going on at the retail market and level, which is the gasoline stations, and what were we doing about it and that's the questions I had in the letter from the committee.

Mr. ROSENTHAL. Is it unfair of me to ask you these other questions? Perhaps so, but the public is clammering to know the answers to these questions and you're a Federal official, I'm a Federal official, we ought to be able to give it to them because it does have an enormous impact on price and inflation and other things under our jurisdiction.

Listen, you go call Barthouse.

Mr. COOK. All right.

Mr. ROSENTHAL. Tell him if we don't have an answer when we get back to Washington next Tuesday, we'll subpoena everybody in that Energy Department, OK.?

Mr. COOK. I'll get what I can.

Mr. ROSENTHAL. Anything else you want to tell us?

Mr. SPIEGEL. I think my statement pretty well lays out what we've been doing and if you have any questions, I'd be glad to answer them.

Mr. ROSENTHAL. Do you have any other plans to mount legal attacks on anticompetitive practices?

Mr. SPIEGEL. As of now—say that again.

Mr. ROSENTHAL. Do you have any plans to mount legal attacks on anticompetitive practices?

Mr. SPIEGEL. Other than the one we're doing in petroleum, we file cases all the time when we get an opportunity on retail price maintenance, on any price-fixing situation that we can.

Mr. ROSENTHAL. Do you coordinate activities with other attorneys general?

Mr. SPIEGEL. Yes, we work closely with the National Association, especially with the west coast attorneys general in Washington, Oregon, Arizona. We work very closely with them. And we try, when we're on to some kind of a price-fixing scheme, to get together and bring the actions and work together. We have more people to mount the attack. In fact, the recent Anti-Trust Improvements Act allocated some Federal funds to State attorneys general to promote the activity by the State attorneys general in bringing cases.

Mr. ROSENTHAL. Well, don't expect any more money from the Federal Government when your Governor is going around the country talking about balancing the budget, OK.

Mr. SPIEGEL. Well, I just hope I get a fair raise this year. I haven't had one in—

Mr. ROSENTHAL. Well, you ought to take that up with the boss. Thanks very, very much.

[Mr. Spiegel's prepared statement follows:]

TESTIMONY OF MICHAEL I. SPIEGEL FOR THE COMMERCE,
CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE OF
THE COMMITTEE ON GOVERNMENT OPERATIONS

The subcommittee has asked me to testify about the activities and efforts of the Antitrust Section of the California Attorney General's office as they relate to gasoline prices and their impact on inflation.

In 1975, as a result of an investigation of the 1973 and 1974 gasoline scarcity in California, our office filed a treble damage antitrust action in federal court on behalf of the State, its political subdivisions, and citizens. The defendants are the major oil companies that do business in California.

The substance of our claim is that the major oil companies, lead by Standard Oil of California, since at least the early 1950's, had been engaged in a illegal combination to stabilize retail prices. The need to stabilize prices arose from the competitive activity of the independent marketers who sold excess gasoline produced by the majors. The majors produced excess gasoline because there was excess refining capacity on the West Coast and large profits were made on the production of foreign crude oil that was run through these refineries.

As profit on foreign crude oil production declined in the early 1970's, the majors' attention shifted to gasoline marketing. Prices during the first half of 1972 were always below ceiling prices allowed under Federal price controls. This was the result of price competition by the independent marketers.

In an effort to recapture the independents share of the retail market and get prices up, the majors on the West Coast in mid-August 1972 virtually simultaneously ended price supports to their branded dealers. This was followed up with a cutback of supplies to independent marketers. The net result was that prices went up to ceiling and stayed there, and the independents began closing down and going out of business.

The ostensible reason given for cutting back supplies to the independent marketers in early 1973 was that gasoline supplies were short. Although the West Coast is an entirely separate gasoline market from the United States, the oil companies relied on East Coast and national statistics to support the claim of short supply. During this time however, the refineries on the West Coast were running at 5 to 10% lower capacity than in other parts of the United States.

Under pressure from Congress the majors continued a limited supply to the independents under their "voluntary" allocation scheme. Later after the onset of the Arab Embargo, the allocation system became law under the F.E.O.

Ironically, at the height of the gasoline scarcity on the West Coast during the Embargo, the only thing that was really scarce was storage space for gasoline.

After Alaskan crude become available in 1977 because the Alaskan pipeline opened, imports of foreign crude to the West Coast refineries steadily declined, in fact until recently, there was an oversupply of crude on the West Coast.

Despite the oversupply of crude available on the West Coast, gasoline prices continued to rise. One of the reasons for this is that branded dealers can only buy gasoline from one oil company. This is true despite the fact that gasoline is a fungible commodity, exchanged by refiners; and dealer leases do not require 100% of the dealers supply to come from the lessor oil company.

The reason lies in "passing off" statutes enacted throughout the country at the oil companies' behest. These statutes make it a crime for a branded dealer to sell gasoline at his station that is not sold to him by his lessor oil company under its trademark. It makes no difference that the oil company supplier may actually have exchanged or purchased the gasoline delivered to its dealers from other refiners.

This system coupled with the oligopolistic structure of the petroleum industry on the West Coast makes for a minimum of competitive pricing. Thus when the Department of Energy suggests an impending product "shortage" and that prices will go up, "shortages" occur and prices inevitably rise regardless of whether or not there is a genuine shortage in a particular market.

Despite the facts that no Iranian oil was imported into the West Coast during 1978, and that world crude prices have risen recently less than \$2 per barrel, gasoline prices on the West Coast has gone up over 20¢ a gallon in three months. A 20¢ per gallon rise equates to over \$8 a barrel. How do the oil companies manage this?

One explanation can be found in the Federal Trade Commission's Fifth Report to the Congress and the President. This report discloses that the Industry Supply Advisory Group (ISAG) composed of employees of the multi-national oil companies meets in Paris to advise the International Energy Agency. (IEA).

Under test conditions designed to prevent anti-competitive results, the companies simulated an exchange of information including crude oil production data, inventory data and shipment data. This sort of information exchange, according to the Federal Trade Commission, can have anti-competitive results when it facilitates collusion in output decisions. The Federal Trade Commission recommends that Congress not permit the ISAG to exchange inventory data.

The type of information exchange by ISAG criticized by the Federal Trade Commission, however, takes place all the time within ARAMCO and other international joint ventures of the multi-national oil companies.

The current gasoline crises on the West Coast has similarities to that of 1973-1974. We have the major oil companies, one after another, going to voluntary allocation programs on the West Coast. The reasons they give ignore the separateness of the West Coast market. For example, Iranian crude was not imported into the West Coast and West Coast refineries are not required to make home heating oil during the summer for winter use. Similarly, statements such as "Alaskan crude has too much sulfur to be used in West Coast refineries," are misleading. No refinery runs straight crudes, for crudes are blended before being run. Thus, Alaskan crude can be and is used in West Coast refineries.

A result of the allocation system learned from the 1973-1974 experience is that the dealers are motivated to raise their prices and limit their hours of operation. Any extra profit for the dealers is short-lived, however, since the oil companies eventually raise the dealer tank wagon price. The result is higher prices for the public and higher profits for the companies while the dealer's margin remains about the same.

An apparent problem is that neither the Department of Energy Administration nor any other government agency has sufficient information to challenge the oil companies. The investigative procedures available to the Federal Trade Commission or State Attorney General are contested in the courts when used and become ineffective as a means of dealing with the immediate crises.

MR. ROSENTHAL. The next witness is the San Francisco Office of Consumers Union, Susan Foote and Carl Oshiro.

Thank you both for coming and feel free to begin however you want.

STATEMENT OF CARL OSHIRO, SAN FRANCISCO OFFICE OF CONSUMERS UNION; ACCOMPANIED BY SUSAN FOOTE

MR. OSHIRO. I prepared a brief statement which I'd like to read.

MR. ROSENTHAL. Go ahead.

MR. OSHIRO. My name is Carl Oshiro and this is Susan Foote. We're attorneys with the west coast regional office of Consumers Union.

The Consumers Union appreciates this opportunity to speak with you about the activities of our west coast regional office. The Consumers Union is a nonprofit publisher of consumer reports which has over 2 million subscribers, approximately 300,000 of which are in the State of California. The west coast regional office consists of four full-time attorneys engaged in a number of judicial, legislative, and administrative actions with respect to welfare of consumers.

In recent years much of our efforts have gone toward eliminating or improving Government regulations which restrict competition and result in higher prices for consumers. I would like to speak with you about our work in three of these areas—food, professional services, and real estate brokers' commissions.

As you've already heard today, food prices are of a critical concern to consumers. Recent increases in beef, cheese, and other food prices have hit the consumers hard, especially those who live on low or fixed incomes. Often Government regulations directly contribute to the rising cost of food. For example, until recently, the State of California maintained regulations which set minimum prices at which retailers could sell milk to consumers. Retail price controls were part of an overall system of regulation, the original purpose of which was to stabilize the chaotic economic conditions of the 1930's and assure consumers an adequate supply of milk at prices that would be fair.

However, rather than assuring consumers fair and reasonable prices, these regulations required consumers to pay higher inflated prices for milk. In 1976 Consumers Union and the Consumers Cooperative of Berkeley went to court to challenge retail milk price controls. As a result of this litigation, the State agreed to deregulate milk pricing and permit price competition at the retail level. The elimination of retail price controls is saving California consumers \$50 to \$80 million each year in milk expenses and consumers in all parts of the State continue to enjoy an adequate and continuous supply of milk. The State continues to set a minimum price for milk at the producer or farm level. This price is of concern to the consumers since it is passed through to the retail level. Theoretically, producer milk prices should be set at a level which will stimulate production which is adequate to meet consumer demand but not excessive.

There is evidence which indicates that producer prices are being set too high. In recent years, sharply rising producer prices have caused dairy farmers to produce 1½ times the milk needed by consumers. This excess production is converted into butter, cheese or nonfat dry milk and purchased by the Federal Government as part of its commodity support program. Since 1975 purchases of surplus

California milk has cost Federal taxpayers hundreds of millions of dollars.

Before leaving the topic of food, I should mention that similar regulatory programs exist at the Federal level. As you may know, much of the fruits and vegetables grown in this country are regulated by programs known as marketing orders. These orders may impose grading and packing requirements, control the rate at which the product goes to market and, in some instances, directly limit the supply of a product. These orders are administered by boards which consist largely of growers, handlers, and other industry members. Over the past 40 years, it has become increasingly apparent that marketing orders have outlived their usefulness and are the cause of significant harm to consumers. There is a good deal of evidence which shows that Federal marketing orders: (1) lead to higher food prices; (2) mandate the waste of millions of dollars worth of wholesome nutritious food; (3) encourage the use of chemical pesticides and additives in the production and processing of food; and, (4) facilitate the monopolization of food production by agricultural cooperatives. Given this evidence and the current national concern regarding the quality, cost, and availability of food, we suggest that a thorough and impartial review of marketing orders be performed. Where marketing orders are not needed, they should be eliminated. Where they are needed, they should be reformed so that they protect the interest of the public at large.

Another area where the Government regulation restricts competition and leads to higher consumer prices is the delivery of professional services. In many instances, the professional groups, such as attorneys, physicians, accountants, morticians, and so on, use licensure and other Government sanctioned restrictions to serve their own interest rather than those of the public at large. The most telling feature about professional and occupational licensure is its origin. Rarely is licensing imposed because of some public outcry over existing abuses. Rather, most licensing laws have been imposed at the insistence of those very groups who will be subject to State control. The desire for regulations is often prompted less by a concern for the public than by the pursuit of prestige and economic gain. Licensing raises barriers to entry, limits competition and helps to raise and maintain prices for consumers. In some instances, professional groups have used the police power of the State to restrict price in other forms of advertising by professionals.

Consumers Union is committed to promoting the free flow of truthful advertising in information to consumers, and we have actively supported and advocated professional and price advertising for many years.

Mr. ROSENTHAL. How much do you think consumers would be saved by the kind of action you're recommending?

Mr. OSHIRO. The impact on price advertising can be very substantial. Recent studies have been conducted of the prescription drug and eyeglass industry and these studies have concluded that restrictions cost consumers now \$336 to \$380 million per year for prescriptions—

Mr. ROSENTHAL. That is nationally?

Mr. OSHIRO. Yes, these are national figures.

And \$180 to \$450 million for eyeglasses. So there are very measurable harms that result, as a result of restriction on price advertising.

Mr. ROSENTHAL. Why don't you put the rest of that statement into the record and tell us what you're doing here in California.

Mr. OSHIRO. In addition to price advertising and restrictions on food—

Mr. ROSENTHAL. Do you have anything to do with the regional FTC Office? Do you work with them at all?

Mr. OSHIRO. Yes, we do.

Mr. ROSENTHAL. What kind of job are they doing?

Mr. OSHIRO. We feel that they're beginning to deal with some of the problems we've outlined, especially in the area of professional services. I understand that the regional office is working on promoting competition in fitting of dentures. We're also worked with the Los Angeles office of the Federal Trade Commission which is presently conducting a nationwide investigation into the practice of the real estate brokers. We are interested in this area because recently we filed a petition in California with the real estate commissioner asking that he take certain actions to help to promote price competition in the real estate brokers market. In California 84 to 97 percent of the brokers are charging fees of exactly 6 percent for the sale of a home. And study after study has been conducted which indicates that this price uniformity is not the result of natural economic forces but is the result of price fixing which is going on.

Mr. ROSENTHAL. Have you tried to get the California attorney general's office to do anything?

Mr. OSHIRO. Local district attorneys with—

Mr. ROSENTHAL. No, I'm not asking about the local district attorneys but about the California attorney general's office.

Mr. OSHIRO. Yes, I understand that. The attorney general's office has supported local district attorneys in actions against local real estate associations on this very matter.

Mr. ROSENTHAL. Well, have you got him to try to start an action to set aside these agreements as a violation of the antitrust laws?

Mr. OSHIRO. To date we have concentrated our efforts with the State real estate commissioner because he is the State official that's charged with overseeing the real estate industry.

Mr. ROSENTHAL. Have you started a lawsuit to have these agreements set aside?

Mr. OSHIRO. No, we have filed a petition, formal petition, with the real estate commissioner.

Mr. ROSENTHAL. Is that the proper way to do it?

Mr. OSHIRO. Yes, it is a necessary step in order to exhaust administrative revenues before a lawsuit. In this case, a lawsuit may not yet be necessary because in response to our petition, the real estate commissioner has taken several steps which may help to remove some of the problems. One of the things which the commissioner has agreed to do is to sponsor legislation which would give notice to all consumers who sign brokerage agreements. The notice would inform consumers the brokerage fees are not fixed by law and that they should discuss and agree on the amount of compensation to be paid before signing an agreement. The real estate commissioner has also promised us that he will hold hearings early this summer for the purpose of clarifying existing laws which are on the books now.

Mr. ROSENTHAL. These agreements, I don't want to spend a lot of time on that because it's not central to our inquiry, but do you think they're a violation of the antitrust laws, the Clayton Act, the Sherman Act?

Mr. OSHIRO. Yes, they are.

Mr. ROSENTHAL. So why don't you start a lawsuit?

Mr. OSHIRO. A lawsuit may not be the most efficient way to deal with this problem.

Mr. ROSENTHAL. You sound like a Federal bureaucrat.

Mr. OSHIRO. We've taken action.

Mr. ROSENTHAL. Why don't you start a lawsuit. If they throw it out, they throw it out.

Mr. OSHIRO. We think that that would not be the proper—

Mr. ROSENTHAL. You've got such a nice lady lawyer who would do all the paperwork.

Mr. OSHIRO. Well, that wouldn't be the best use of her resources or our office's resources.

Mr. ROSENTHAL. What?

Mr. OSHIRO. We don't think that that would be the best use of her resources or our office's resources. Antitrust lawsuits, as you know and as the attorney general can tell you, are very complicated affairs and they take a tremendous amount of resources. We had a real estate commissioner in California who has the duty to—

Mr. ROSENTHAL. Is he doing a good job protecting the public?

Mr. OSHIRO. We think he's beginning to.

Mr. ROSENTHAL. What do you mean, you think he's beginning to? How long has he been in office?

Mr. OSHIRO. A year and a half years. We think more could be done.

Mr. ROSENTHAL. So why don't you do it? Could the FTC office have been doing more than it's doing?

Mr. OSHIRO. The real estate matters, I understand, are being coordinated out of the Los Angeles office. We think that their investigation now into the real estate industry is appropriate. We think it's necessary that they conduct this investigation because we believe the practices we found in California may be going on in other States, that this may be a nationwide problem.

Mr. ROSENTHAL. What; real estate?

Mr. OSHIRO. Yes.

Mr. ROSENTHAL. Well, the U.S. Supreme Court has already decided that, as far as doctors and lawyers are concerned. Everybody knows the real estate people are into it.

Mr. OSHIRO. Well, it is important that we know what the facts are right now.

Mr. ROSENTHAL. The facts are?

Mr. OSHIRO. I think that responsible action for the FTC—

Mr. ROSENTHAL. Are you satisfied with the performance of the FTC office here in San Francisco? Are you going to say anything?

Ms. FOOTE. If you ask me a question, I will speak to it.

Mr. ROSENTHAL. Is there anything you want to say?

Ms. FOOTE. I'd just like to say that the reason we're here is that we really feel there are serious problems with inflation, and I think you've heard some very compelling stories from people here today, and I think we have done—our Office of Consumers Union on the west coast

has taken some actions which have affected consumer prices, and we're urging—

Mr. ROSENTHAL. What have you done?

Ms. FOOTE. I think Mr. Oshiro just spoke to the milk problem, which was a very serious problem which affected the price of milk, and I think he gave you the effects of this.

Mr. OSHIRO. We're also attacking the problem of real estate brokers' commissions.

Mr. ROSENTHAL. You already told me that.

Mr. OSHIRO. We're working in the area of professional services. We've appeared before the Supreme Court in landmark decisions, prescription drugs, and attorney advertisement. We have sued the State bar to permit freer advertising for attorneys and, because of that lawsuit, we have two progressive reforms in California. We are working hard. We want to do more. We think Government should do more.

Mr. ROSENTHAL. I want to commend you. Don't misinterpret my attitude. I think you're doing a fine job. The Consumers Union is a very useful organization. I get myself personally frustrated when I hear the stories of these older people and underprivileged, undernourished, underfed, underemployed, underhoused people. It's frustrating because I don't think any of us are doing enough.

Mr. OSHIRO. I think you've taken one of the most important steps by scheduling these hearings, coming out to various parts of the country and seeing what people have to say.

Mr. ROSENTHAL. Can you do anything in the energy field? Have you thought about that at all? Back in Washington all we hear about is a lot of crude oil in California. When you come out to California, people are standing in line because they can't get gasoline.

Mr. OSHIRO. I personally don't know enough about the energy and gasoline to—

Mr. ROSENTHAL. I don't know anything about it, either.

Mr. OSHIRO. I think I can suggest some things which could be done in the area of food, production of food, which would help consumers, particularly in the area of marketing orders and possibly easing or eliminating some of—

Mr. ROSENTHAL. But the marketing orders, here's what I'm trying to get at, and we want to finish by 1 o'clock. Marketing orders are something that's going to have to be decided on a national level.

Mr. OSHIRO. Yes.

Mr. ROSENTHAL. When I come out to communities like this my purpose is to find out and to energize local community groups into doing something about their own communities. For you to change the marketing order pattern, you're going to need a lot more horsepower than you have, or even more than I have. I mean you're up against a very enormous structural operation. But what can you do here in California to help the people of this community?

Mr. OSHIRO. I've outlined some of the things we are doing. We are very frustrated, too, because if the Government were serious about fighting inflation, if the administration were serious about helping people in this area, there are some things they could do right now.

Mr. ROSENTHAL. Like what?

Mr. OSHIRO. One of the things they could do is review the meat import quota. I read something a few weeks ago where Secretary Bergland has refused to alter the meat import quota. The reason for that

is that it won't make a difference. If it won't make a difference, we don't need the meat import quota. Why have it?

Another thing we should do is look very carefully at legislation and a regulation which came out of the Depression. The Depression was a period of falling prices, and legislation which came out of that, and regulatory systems which came out of that time may be out of step with the times.

Mr. ROSENTHAL. I understand all of that. My only suggestion to you is, the suggestions you make are not original to me. I've been opposed to the meat import quota ever since they started. We had an oil import quota. What I would suggest to you is what you can do to direct your energies toward local community concerns.

Mr. OSHIRO. These are community concerns.

Mr. ROSENTHAL. Yes, but they have to be resolved at a national level. You will never have the horsepower to do that.

Mr. OSHIRO. But in many cases that's where it has to be resolved. The amount of lemons which get to the fresh market is determined nationally, not locally. The price for gasoline is determined by the national and international factors, not by what we do here in San Francisco.

Ms. TRUKA. Pat Truka.

I would like to make a suggestion that would uphold the dignity of the elderly and not degrade them with donations and national aid or Federal aid. I think since we have closed so many of our schools, and I'm sure other large cities have done the same, since busing was installed, the families with children have left the cities and they do not intend to come back. We cannot expect to use these school buildings for schools; then they should be converted into low income housing for the elderly.

Our school in my neighborhood, called the Phebe Aperson Hearst—

Mr. ROSENTHAL. I don't know anything about that. I'm delighted you spoke up when you want to speak up, that's why we're here, but I suspect there are enormous code problems and technical problems in converting a school into housing, the cost, I suspect, being one of them. I think it is cheaper to build something from the ground rather than convert a school.

Ms. TRUKA. I don't think so, because each classroom could be made into a small apartment unit. Between the elementary school rooms, there is a lavatory, between every two rooms.

Mr. ROSENTHAL. I don't know.

Ms. TRUKA. So the plumbing would be very simple, electric outlets—

Mr. ROSENTHAL. I don't know; has anybody done that anywhere in the country?

Ms. TRUKA. There's a cafeteria in every school for those elderly who could not cook for themselves.

Mr. ROSENTHAL. That's an interesting idea.

Ms. TRUKA. Those who can cook for themselves, there are plenty of electric outlets in the walls of every classroom.

Mr. ROSENTHAL. We could use the cafeteria as a central place to eat, everybody goes there?

Ms. TRUKA. They could. Those who cannot fix their own meals could eat in the cafeteria, and they could form a community where the people who are able—I'm sure they would feel needed, which they need very much in the elderly years—they would take care of the food and the cafeteria, the cooking and the management of the kitchen. Those who wanted to eat and make up their own meals, and especially those on diets, they could have an electric plate in their apartment unit. Each classroom could be a separate apartment unit. There are enough electric outlets, enough lighting to take care of it. Plumbing—there's no problem because there's a lavatory between each two classrooms, and the schoolyard is enclosed with a high fence for protection. The grounds that are not cemented could be fertilized. They elderly could plant their own vegetables, their own fruit trees. They would not have to be dependent on charity.

Mr. ROSENTHAL. OK.

Ms. TRUKA. They could live within their own means. And another thing, this would give competition to the realtors, who are charging such exorbitant prices. I think the solution is, to the high rent, competition, just good Yankee and free enterprise. Where you have more units than are necessary, then when these people who have such high rents cannot rent their places, they're going to have to come down in their price.

Mr. ROSENTHAL. OK. That is a very useful suggestion.

We're going to take a 5-minute break, but before we do that, my suggestion to you people, who are doing, I'm sure, a very fine job, is to put more energy into dealing with problems of a local character that could be resolved at least within the State of California.

Ms. TRUKA. Yes.

Mr. ROSENTHAL. Because talking in terms of milk, very frankly, in terms of milk marketing orders and things of that nature, those require such a nation—

Mr. OSHIRO. We have done that. Our efforts in the area of milk focus on the State of California.

Mr. ROSENTHAL. That's good.

Mr. OSHIRO. We would also like to see more competition in the brokers' fees in California.

Mr. ROSENTHAL. No, no; I think that's important; don't misunderstand.

Mr. OSHIRO. That's a matter that's naturally and traditionally a State concern.

Mr. ROSENTHAL. We're going to take a 5-minute break. Thank you both very, very much.

[Recess taken.]

Mr. ROSENTHAL. The subcommittee will continue.

What happened to that fellow from the Energy Department? Is he still on the telephone?

While we're waiting for the man from the Energy Department to tell us what happened, is there anybody else who wants to say anything? Please, come up. Identify yourself. We can go only 5 minutes a person because we're going to finish by 1 o'clock.

Tell us who you are, what you are, and why you are here.

STATEMENT OF DONALD RAIN OF "WE THE PEOPLE"

Mr. RAIN. My name is Donald Rain. I'm a political activist for a party known as "We the People."

Mr. ROSENTHAL. Mr. Rain, you've got to talk up so we can hear you.

Mr. RAIN. My name is Donald Rain. I'm political activist for what we hope will be a third party in America known as "We the People."

We want to start out with this, in the words of John F. Kennedy.

Mr. ROSENTHAL. We have 5 minutes.

Mr. RAIN. Right; and let me present it.

There were further implications in the warning that I should go along, implications of the rewards that would follow fulfillment of my obligation to follow party leadership whom I had helped select. All of us in Congress are made fully aware of the importance of party unity. What sins have been committed in that name.

Gabriel Kolko, distribution of wealth and power in America——

Mr. ROSENTHAL. I know him.

Mr. RAIN. Thus, the ironic fact is that the extension of the income tax to middle- and low-income classes was the only original aspect of the new deal tax policy. We believe that the entire mechanism and cause of inflation is because vested interest was allowed through privilege, private law, to make 9,099 changes in the original income tax laws and that the huge amount of money that the United States of America has earned, only a small portion has ever had taxes collected on it, and that filtered down to the working people. William Randolph Hearst, in 1923, when he saw Andrew Mellon, spoke of peace in the true glow. He said all taxes are a burden upon the people, no matter where they're imposed. If you put water at the top of a mountain, it will surely flow down into the valley; and if you put taxes on the richer classes, it's only a matter of time until they descend to the purchasing public. That's what's occurred in the United States of America.

We feel that the failure is at a Federal level, that the Federal Government has not collected its income tax from the huge corporations that have made a fortune off the United States of America. We don't know what mechanism to go to to get equality of the people and to make the Federal Government go back. When you talk about windfall taxes, we want these oil companies investigated back to 1946. We want to know what windfall taxes they've made since 1946, and especially the last 3 years, before you talk about taxing them for what they're going to do next.

California is in a unique position like you stated up there and you acted like you didn't know the difference between sour crude and regular crude. I interject the story of a reduction plant in Wood River, Ill., for three refineries, and this is what started this at Shell Refinery in Wood River, Ill. When these three refineries stood around and when Anla and Sulphur Reduction Corp. was built, they knew that Shell had to take it over in 10 years to try and break the unions.

And this whole garbage that the unions raise the cost of living. At the end of World War II, 10 percent of this population believed in strong unions, 90 percent believed that their Government would protect them. Since 1960 if you had a \$10,000 income, you now have to have \$25,000 to have an equal buying power, and yet no union was allowed a raise before a cost of living increase occurred first. Ten percent of the

people just barely stayed even. In the last couple of years they haven't even been able to stay even, while 90 percent of the people were put down the toilet with no mercy whatsoever. The good people that fought World War II and lived the American dream, they were not even given a cup of coffee.

The one thing you said Governor Brown, you laughed and you said Governor Brown and the balanced budget. The budget is out of balance because the Federal Government has required vested interest not to pay its taxes. We want an audit done to the United States of America since 1946. We want the people to be made aware of what the little 10 percent that strong unions managed to get for their people were and what they paid in lawyer fees for that pitiful bit, and we want to read the bottom line from page 103 in the constitution of the State of California when she was admitted to the Union, "But the inalienable right to alter or reform their government whenever the public good may require." California does have a legal right to leave the Union right now should the people of this State so choose in open election.

Mr. ROSENTHAL. Are you recommending that?

Mr. RAIN. Well, California may want to go back with Mexico. California may want to be independent. There is no gasoline shortage in Washington, D.C. Gasoline is 10 cents a gallon less in Washington, D.C. You sit up there and you act like it's not allotment and right now the whole thing is—

Mr. ROSENTHAL. How much is gasoline in Washington, D.C.?

Mr. RAIN. According to KGO Radio this morning, 10 cents a gallon less than here in California.

Mr. ROSENTHAL. How much is it?

Mr. RAIN. That would make it about 73 to 76 cents.

Mr. ROSENTHAL. How much is it out here?

Mr. RAIN. Right now it's running approximately 94 cents. At some stations they're selling it for \$1.09 a gallon and you have to have appointments.

Mr. ROSENTHAL. It's about 20 cents more here in California.

Mr. RAIN. Well, I'm just saying that's the range. The highest one that we know of is—

Mr. ROSENTHAL. Why is it so much higher out here?

Mr. RAIN. Because it's a manipulation, it's a manipulation on the allotments. We take the story of Wood River, Ill., and how much gasoline is stored underneath that town and Wood River's Labor Local 338 can validate when those caverns were blasted and how much gasoline is stored under the Wood River Standard Refinery. We want to know how much gasoline and oil was stored in that Richland Refinery, as these people attempted to manipulate an economy and to provide the force. They say, well, the public won't help.

The emphasis is media. The only persons in this country that's been allowed to run for office were those that could afford to buy enough prime time television to launch a campaign. And the emphasis of our media has been to program them for violence and insanity instead of for community action. And we want to know what the Government's going to do to protect these people. It's obvious that the Democrat and Republican parties have been totally knocked out of commission by vested interests.

One only has to look at the tax laws you just passed. You sat up there and you acted like you didn't know the difference between sour crude and regular crude.

Mr. ROSENTHAL. I don't know the difference.

Mr. RAIN. OK, it's the sulfur.

Mr. ROSENTHAL. Are you disappointed in me that I don't know the difference?

Mr. RAIN. Yes, I'm definitely disappointed in you, sir, that you don't know the difference.

Mr. ROSENTHAL. I really don't.

Mr. RAIN. OK, California's got all kinds of crude from Alaska, but it's sour crude. They say, well, we don't have the refineries. But I take the story of Wood River, Ill., they had three oil refineries and this is where it began and they did work only on those refineries that they didn't just have to do until they were able to break the union and bring in people with underunion scales. They allowed Anlon Sulfur Reduction plant—

Mr. ROSENTHAL. I think we've gone beyond the 5 minutes, but I really appreciate your testimony. It's been very useful.

Mr. RAIN. Thank you, sir.

Mr. ROSENTHAL. We're waiting for the fellow from the Energy Department to get off the phone. Does anybody else want to say anything before we conclude?

Yes, sir, why don't you come up here and tell us who you are.

What's your name?

**STATEMENT OF WILLIAM A. ARBITMAN, SAN FRANCISCO
REGIONAL OFFICE, FEDERAL TRADE COMMISSION**

Mr. ARBITMAN. My name is William Arbitman.

Mr. ROSENTHAL. Well, you're on our list. Where were you?

Mr. ARBITMAN. In here, waiting to testify.

Mr. ROSENTHAL. So far we've heard testimony that you're not doing anything out here.

Mr. ARBITMAN. Well, I beg to differ with that conclusion. I think we're doing quite a bit.

I've submitted a statement.

Mr. ROSENTHAL. What's your name?

Mr. ARBITMAN. William Arbitman.

Mr. ROSENTHAL. What are you doing out here to help these people fight inflation or anything else?

Mr. ARBITMAN. Well, let me summarize some of the things.

First of all, we have some 20-odd investigations of price-fixing activities by major national consumer products or companies and to give you an example of the possible benefits that can result from these things is a case that we settled involving Levi Straus about 11½ years ago. As a direct result of the case we brought, prices of Levi products were reduced throughout the country by anywhere from 10 to 30 percent and that constituted a consumer savings throughout the country of \$50 million a year.

Mr. ROSENTHAL. You brought that action here in this district?

Mr. ARBITMAN. That's right.

Levi Straus is a San Francisco company and we handled that case out of San Francisco.

Mr. ROSENTHAL. How come Chairman Pertschuk let you do that?

Mr. ARBITMAN. He has confidence in us.

And, as I say, we have some 20-odd investigations, 2 of which have already been resolved but have not been announced by the Commission yet, and I'm confident that they can result in some great savings, probably not as great as that one did, but I think some significant savings can result from that.

Next we have a major investigation in the area of deregulation as it concerns the practice of dentistry throughout the country that's being handled in our regional office here. As you know, the FTC has been a very vigorous spokesman for competition, appearing before other Federal agencies like CAB to eliminate their anticompetitive regulations. And we've seen what a tremendous impetus that took when controls on pricing were eliminated. Prices decreased tremendously and the volume of utilization increased tremendously as well. And the FTC through Washington has also been appearing before the ICC urging deregulation of the trucking industry and Congress—

Mr. ROSENTHAL. Tell us what you are doing out here.

Mr. ARBITMAN. I want to analogize this kind of thing to what's going on in Washington. I heard an elderly citizen here this morning complaining about the problems with her teeth and proper dental care and just let me highlight a couple of the problems, some of the magnitude of the unmet dental needs in this country which we are attempting to address through some action which I'll describe.

The dental decay, first of all, is one of the most prevalent of all chronic diseases in the country and described as such by the Surgeon General of the United States.

Mr. ROSENTHAL. Tell me what you're doing out here.

Mr. ARBITMAN. We are investigating the effect of restrictions imposed by private organizations and public organizations, principally the States, that eliminate innovation in the delivery of dental care throughout the country.

Mr. ROSENTHAL. Wait a second. Do you need 5 minutes to organize your notes?

Mr. COOK. No; I just want to put them in order.

Mr. ROSENTHAL. Don't run away.

Mr. ARBITMAN. These kinds of restrictions I'm talking about is that most State laws preclude the infusion of equity capital to own and operate dental practice. In other words, companies like Sears and Wards can't own a dental practice and, therefore, they can't—they have to go through some legal manipulations to put dentistry operations in shopping centers these days but there are restrictions on ownership. There are restrictions on functions that dental auxiliaries can perform that are imposed by State and by private associations. There are restrictions on the number of dental offices that can be owned by one—

Mr. ROSENTHAL. What are you doing about it?

Mr. ARBITMAN. We have completed our investigation now and are in the process of the next couple of weeks we'll be submitting recommendations to the Commission in Washington giving them options as to what they can do.

Mr. ROSENTHAL. In the hope that there will be a rulemaking decision?

Mr. ARBITMAN. That's one option that we're seriously considering, yes.

Mr. ROSENTHAL. With what eventual goal?

Mr. ARBITMAN. With the goal that these kind of restriction on innovation will be limited so that the high cost of dental care thereafter can be decreased and made more accessible to people who are not getting it now, particularly elderly people.

Mr. ROSENTHAL. And Federal Trade Commission regulations would have to supersede State and local laws?

Mr. ARBITMAN. Exactly, if that's the route the Commission elects to go.

Mr. ROSENTHAL. What else are you doing?

Mr. ARBITMAN. We have a major investigation of insulation, talking about increasing energy costs, we've served notice on some thousand-odd manufacturers and installers of insulation to watch out for any claims they make. We've notice misrepresentation in claims of energy savings claims, dollar savings claims—

Mr. ROSENTHAL. By whom, by utilities?

Mr. ARBITMAN. No; by manufacturers and installers of insulation.

Mr. ROSENTHAL. What are you doing about that?

Mr. ARBITMAN. Well, we sent them all notices that if they should engage in these practices, we'll take them to court for \$10,000 penalties for every violation they make and since that time, since the time we notified the companies, there have been dramatic improvements in the labeling and advertising of these products so that consumers of insulation—

Mr. ROSENTHAL. This is only for local distributors?

Mr. ARBITMAN. Well, we've coordinated this thing, we took the lead on it nationally and coordinated with all other regional offices of the FTC and we serve just about all of the manufacturers of the material and the local installers while the other regional offices handled the local contractors who install this insulation materials in their regions.

Mr. ROSENTHAL. Now, you said in your statement you have 20 investigations into alleged price fixing. What's that about?

Mr. ARBITMAN. That's right. These are the kinds of investigations I mentioned that we handled against Levi Straus, resale price maintenance, alleged resale price maintenance imposed by 20-odd national manufacturers of popular consumer products from apparel to—

Mr. ROSENTHAL. What companies?

Mr. ARBITMAN. I am not at liberty to disclose the identities because it is Commission policy not to identify them, but they are prominent names and I think as we get corrective action—

Mr. ROSENTHAL. Have there been reports made to you that there has been price fixing by these companies?

Mr. ARBITMAN. We have information to that effect which would justify the start of the investigation. Naturally, we don't just go on a whim.

Mr. ROSENTHAL. Do the companies know that they're being investigated?

Mr. ARBITMAN. Definitely, oh, yes. We have subpoenas out to them right now.

Mr. ROSENTHAL. Well, why can't you tell me? We know anyhow but why can't you tell me?

Mr. ARBITMAN. I would like to tell you but—

Mr. ROSENTHAL. You would like to. Are you under orders not to tell us?

Mr. ARBITMAN. I'm under orders to follow the rules of the Commission which are not to disclose nonpublic investigations. It's their rule. They seriously considered whether that's an appropriate rule and decided that it was, and I have to follow their mandate. It's as simple as that. It's the rule or otherwise I'd be happy to tell you.

We also have a major monopolization investigation of a company that dominates a \$500 million consumer product market that we're engaged in. We have a trade regulation rule dealing with the advertising and labeling of protein supplements, and I think this has an anti-inflationary effect because it will—

Mr. ROSENTHAL. Are you doing anything in the energy situation, gasoline situation here in California?

Mr. ARBITMAN. No.

Mr. ROSENTHAL. Why not?

Mr. ARBITMAN. The energy activities throughout the whole FTC are concentrated in an energy unit in Washington, D.C.

Mr. ROSENTHAL. What energy unit?

Mr. ARBITMAN. In the Bureau of Competition.

Mr. ROSENTHAL. Why don't you do something out here in California like quickly because it seems to me the situation is rampant with serious problems.

Mr. ARBITMAN. No question that there are serious problems. I'm mystified, the public is mystified.

Mr. ROSENTHAL. Why don't you do something like quickly? Why don't you announce like this afternoon you're going to start a major investigation of every oil distributor in California?

Mr. ARBITMAN. I don't have that authority.

Mr. ROSENTHAL. Why not?

Mr. ARBITMAN. Because it requires approval of Washington for me to do that.

Mr. ROSENTHAL. Well, get Mr. Pertschuk on the phone and—can you get him on the phone right now?

Mr. ARBITMAN. I don't know if he's free. I can certainly try to get him.

Mr. ROSENTHAL. You call him and in the next 10 minutes, come back and let us know. Tell him that I think that there should be a major FTC investigation of the petroleum situation in California. Will you do that?

Mr. ARBITMAN. Sure, I'd be happy to do it.

Mr. ROSENTHAL. Go out and call.

Mr. ARBITMAN. OK.

[Mr. Arbitman's prepared statement follows:]

TESTIMONY OF
WILLIAM A. ARBITMAN, DIRECTOR
SAN FRANCISCO REGIONAL OFFICE
FEDERAL TRADE COMMISSION

BEFORE THE
COMMERCE, CONSUMER AND MONETARY AFFAIRS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES

MAY 4, 1979

THIS STATEMENT REPRESENTS THE VIEWS OF THE STAFF, NOT NECESSARILY
THE VIEWS OF THE COMMISSION OR ANY INDIVIDUAL COMMISSIONER.

Mr. Chairman and members of the Subcommittee. I am pleased to be here today to discuss some of the major initiatives taken by the San Francisco Regional Office of the Federal Trade Commission to implement the Commission's anti-inflation program. This regional office has been active in instituting actions designed to restrain inflation. I think we have been particularly sensitive to addressing unfair, deceptive and anticompetitive behavior which subjects the public to artificially high prices. The following is a summary of our recent activities:

We are in the final stages of preparing recommendations to the Commission concerning two related national investigations into alleged private and public restraints imposed upon the practice of dentistry.

In 1976 dental care was an \$8.6 billion industry with consumers purchasing \$8.13 billion or 94.5% of all dental services produced that year. Unlike the health care market generally, where third party payment arrangements predominate, the dental service market is one in which the consumer usually pays directly, without assistance. Fewer than one-third of all Americans are presently covered by any form of dental insurance. Inflationary tendencies in dental care are thus of special importance to the American public since most of us must directly bear this necessary expenditure. While the rate of increase in the cost of dental care has not risen as rapidly as medical care, the gap in the rates