been able to connect it to the fact that it is the product of our economic policies.

It's not enough to merely create a great program for seniors, because you have then left out the unemployed, the youngsters, and then 29 other groups will come in and say, "What about me?" Our economic problem is a systemic problem. How often do we ask ourselves what is the $500 trillion Federal budget accomplishing, what priorities does it reflect, who is it helping and hurting? Somehow or the other these hearings, and I think the chairman of this committee cannot be commended too much for doing this, we are trying to hook that up. And we know, as someone said during the break, "You mean you people are going around asking these questions? You mean there are people in Congress that don't know that this is happening?"

My response is, "That there probably are. Yes. Some. There are always some that don't know; but there are some who do know. But because nobody has the evidence, they can ignore what they really know to be the case." And so what we are doing, and this is always necessary in our business, is to make it irrefutable, to make it clear there is a tremendous problem out there, to cut into the slice of life, in nine cities across the United States.

The testimony is incredibly similar. People are being hurt unconscionably by the policies that we have in Washington.

And so that is my question and statement in answer to you, to respond to in any way you perceive.

Mr. ROSEN. I am in agreement, Mr. Congressman; and may I make one final comment.

I think there has always been a reference to things we do in Congress, as to how it affects the national interest. And there is a catchword.

I would like to feel that included in the statement of what is involved in the national interest is the health and well-being of its people. In this sense, there is perhaps a dialog taking place in the Congress, and among the people; and it ought to be in terms of what is the emphasis; what are we really doing? Are we merely just trading off in guns and ammunition, being the biggest producer of arms in the world. And encouraging the sale of these things and so forth; and always deleting what our needs are?

Again I say, what are the needs, and how do all of us get to address ourselves to this problem?

Mr. CONYERS. Thank you.

Mr. MCSPADDEN. This $4,000 cutoff for medicaid, if your income is over $4,000, is that State or Federal?

Mr. ROSEN. State.

Mr. MCSPADDEN. It's not mandated by the Federal Government?

Mr. ROSEN. No; it's State. It has a chilling effect, though.

Mr. MCSPADDEN. How does that compare to other States?

Mr. ROSEN. I cannot answer that question but I will find out.

Mr. MCSPADDEN. Thank you very much.

Mr. CONYERS. We now call on the illustrious president of the Wayne County AFL–CIO council, Mr. Tom Turner, who has served in many capacities at the national and local level, former head of the NAACP, Detroit chapter, member of its board; active in many civil rights ac-

tivities; and many long years ago, he was once a steelworker in that union.

We are very pleased to have President Tom Turner before us. He has prepared a detailed statement, for which we are grateful. We will receive it into the record at this time; and permit him to proceed in his own way.

STATEMENT OF THOMAS TURNER, PRESIDENT, WAYNE COUNTY AFL–CIO COUNCIL

Mr. TURNER. Thank you very much, Congressman Conyers, and the staff of the Commerce, Consumer and Monetary Affairs Subcommittee for allowing me to present the views of the members of the Metropolitan Detroit AFL–CIO.

I still pay my dues to Local 1299 of the Steelworkers.

Mr. CONYERS. Yes; you have to, if I remember my bylaws correctly.

Mr. TURNER. We, the Metropolitan Detroit AFL–CIO, are concerned, as are all labor organizations, with the devastating impact the inflationary spiral is having on our members, their families, and the senior citizens we represent.

The administration's anti-inflation program, so far, has controlled only one thing—the wages of workers. At the same time prices, profits, interest rates, and dividends have skyrocketed. The proof of this is in Government statistics which show that the real wages of workers have been steadily going down while the profits of corporations are hitting record levels.

The Metropolitan Detroit AFL–CIO, upon the request of the national AFL–CIO, is in the process of launching a comprehensive operation price watch program in the Detroit area. This operation, I am sure, will prove what every shopper already knows—prices are going up much faster than the so-called guidelines which are supposedly in effect under the administration program.

The AFL–CIO price watch program in my office will be implemented by Lillian Barrett, community services director of Metropolitan Detroit AFL–CIO; Anderson Corley, director of United Foundation Labor Department; Stan Lisiecki, United Foundation labor coordinator; and Joe Coach, United Foundation labor coordinator and the Senior Service Committee.

Captains will be appointed to handle various areas throughout the tricounty area (Wayne, Oakland, and Macomb).

The following people will be cochairmen in their respective locations: Kenny Watson, Rev. Oscar Love, Lovella Brown, Harold Lawson, Joe Novak, Edwin Kulbach, Joe MacCarthy, Alex Bergeron, Bill Myers, Larry Jann, and Robert McReavy.

The above-named committee will be responsible for volunteers in their areas.

Sam Panzer, chairman of the Metropolitan Detroit AFL–CIO Senior Service Committee, and Adam Brownlee, treasurer of the Senior Service Committee, will be in charge of processing and monitoring the biweekly reports.

Reports will then be sent to Leo Perlis, director of the Department of Community Services of the AFL–CIO, in Washington, D.C.

The community service director in my office will be the contact person between the AFL–CIO in Washington and the Metropolitan Detroit AFL–CIO Council.

Prices will be monitored by volunteers from all segments of labor and concerned citizens.

All publicity of the AFL–CIO price watch program will be handled by the editor of our Detroit Labor News and other appropriate publications.

Price-watch sheets will be supplied biweekly for necessary reports.

There will be a meeting called by me of various unions involved with the price watch program, that hold union contracts in the various stores, such as Retail Clerks, Amalgamated Meat Cutters, Service Employees, Hotel and Restaurant Workers, as well as Amalgamated Clothing and Textile Workers.

There will be a kickoff, including the press, on May 23, 1979.

Congressman Conyers and members of the committee, I would like to state the AFL–CIO's position regarding the AFL–CIO price watch program.

We would like to strongly emphasize that the whole idea of fighting inflation is to hold down the prices of things that people must have in order to live. That is the idea. That's what we mean when we say we are "fighting inflation."

It's not to keep down people's income. It is not even designed to keep down profits. The whole basic idea is to keep price increases within a reasonable range. And there is no other idea.

Of course, news about price increases will come as no surprise to the administration officials. After all, they see the statistics every month.

But there's a big difference between statistics and the facts about the cost of a loaf of bread, a pound of hamburger, a can of beans, for example.

We're going to provide the consumers' view—the view from the wrong side of the cash register. We're going to provide the facts that the Government doesn't get, itself, because the Government doesn't have and currently doesn't plan to have anyone out there in the stores checking on exactly what it is the merchants are doing with their price tags.

That's the information our price monitors are going to supply.

We in the labor movement have been and will continue to be quite critical of the administration's so-called voluntary wage-and-price guidelines. We've said time and again that they are unfair, and, of course, they aren't working.

Frankly, we believe that mandatory, across-the-board controls on the price of everything, and the income of everybody in this particular period of time, would be more equitable and more enforceable. In fact, we believe that Operation Price Watch will prove that point.

The union volunteers that are being recruited in communities across the Nation for this monitoring program have a definite selfish interest for participating. Their wages are being controlled by their employers—the first "volunteers" in the fight against inflation—"volunteers" to hold down workers' wages. Of course, employers are only

part-time volunteers, eager to hold down wages and forgetful about holding down prices.

The completed forms will be sent to our Community Services Department of the AFL–CIO in Washington. Mr. Leo Perlis and his staff will compile the results, make them public and available to the administration. From that point on, it will be up to Mr. Kahn and his small staff to investigate these price increases through whatever procedures they have established.

Our volunteers are not going to be spies. They are not going to sneak into stores. They are going to wear badges. Everyone will know who they are and what they are doing.

Perhaps if the administration had provided the public with definitive price guidelines, then this massive monitoring effort would not be necessary. After all, individual consumers could do the checking and the complaining, themselves. If, that is, they could only understand the price guidelines.

I'll tell you what consumers do understand. They understand that the prices of necessities, food, shelter, medical care, and energy have increased at an annual rate of 13.1 percent since the President's program was announced in October of last year. Food alone has gone up at an annual rate of 16.8 percent from October through February. Meat, poultry, fish, and eggs are up at an annual rate of more than 40 percent during the same period—40.5 percent to be exact.

Energy is up at an annual rate of 12.2 percent, with gasoline prices leading the way at 23.2 percent. And that's only the beginning on gasoline prices. With the President's new decontrol program the sky will be the limit.

Now, all those are necessities of life. Those are the "must" items in any family budget. What about other items, the things a family can do without or put off buying, for example?

Well, all other items in the Consumer Price Index went up at an annual rate of only 7.7 percent since October. In other words, the prices of necessities are increasing at a rate nearly double for all other items.

There is something else that consumers understand, and that is that the buying power of their paychecks is shrinking. A loss of 1½ percent in just the period since President Carter announced his program to fight inflation.

While wage guidelines are not the subject of this meeting, allow me to make this one point: If a 7-percent wage standard ever made any economic sense—and it didn't. In fact, that figure was just plucked out of the air—it most certainly makes no economic sense when prices are going up nearly double that rate. If prices were going up 7 percent, then the 7 percent guideline on wages might make some sense.

A couple of months back, Mr. Kahn was quoted in the newspapers as saying he was "innundated" by employer requests for information on how to comply with the wage guidelines. Well, we hope to innundate him with information about how prices have increased since he has been on the job.

It is obvious that during the first 5 months of these guidelines not too many companies bothered to call Mr. Kahn for information about the profit guideline. When it comes to profits, there aren't many companies volunteering to do their part.

The profit figures for the last quarter of 1978 prove that. They are now running at an annual rate of 44 percent. And much of the increase was concentrated in the very companies that piously pledged to the President of the United States that business would cooperate with the guidelines.

We in the AFL–CIO have repeatedly pledged that we would sacrifice as much as anyone else, as long as anyone else; but we don't intend to sacrifice alone. We'd like to see the privilege of sacrifice passed around a little.

It is easy to control wages. All an administration has to do is to ask employers to do that which comes naturally, say "no" as it relates to wage increases.

Controlling prices is another matter. This administration has no enforcement mechanism, no price monitors of its own. We have volunteered for that duty, even though we don't like the way the anti-inflation program is set up.

We earnestly hope, and we really expect that other consumers will do exactly what we are doing. It takes no special training to be a price monitor. It only takes a desire to want to reduce inflation, to bring down the prices of those items which are essential to every family.

Mr. Chairman and members of the committee, again on behalf of the working men and women in the Metropolitan Detroit AFL–CIO, I would like to thank you for allowing me to present our views on this important and timely subject matter.

These unions, as you know, Congressman, hold contracts with these various people; and the reason why we are doing this independently of others is, that we are going to ask them to use their stewards in all of these stores to help us more effectively, than having people going in and out of those organized stores at random.

They have the wherewithal to give us that report more comprehensively. Then we will enter into a coalition effort with other consumer organizations in the tricounty area to go after those areas that are not organized with the union contract.

Mr. CONYERS. Are you saying that the Wage-Price Board should be doing the monitoring?

Mr. TURNER. That's exactly the way we feel, Mr. Congressman. Yes.

Mr. CONYERS. What is their reason, or do you imagine why it is that they wouldn't have done this?

Mr. TURNER. That is a good question that has been asked time and time again; and there has been no response from the administration as it related to putting together the appropriate staff and doing that.

If, that is, they could under the price guidelines.

Mr. CONYERS. The rate of profit——

Mr. TURNER. How is that?

Mr. CONYERS. The rate of profit is up 44 percent?

Mr. TURNER. Fourty-four percent in terms of the last quarter; and much of the increase was concentrated in the very companies that piously pledged the President of the United States that their business would cooperate with the guidelines.

I'd like to thank you, Congressman, for the hearings you and your committee are conducting. They are very timely, and I am sure others feel as strongly as we do in the trade union movement about the ad-

ministration's prices in terms of the spiraling increase; and we would hope to put that coalition's effort together, not only in the metropolitan area but throughout the State, and throughout the country, and show him what we are sure he already knows, and knows that Congress is aware of, and that is, the whole program that he has developed is not working.

And again, I don't like to say this, or make a comparison; but I know that wages and price guidelines are a real concern of yours.

Mr. CONYERS. It is.

Mr. TURNER. It's bad for me as a Democrat and as a trade unionist, to make a statement saying that even the former Republican President, Richard Nixon, back in 1972 when he put on the controls, had a little more compassion and humanity in this whole situation, in terms of not lumping everything into the 7 percent as it relates to the workers. And I'm talking about the benefits package and all of that.

Benefits, as long as it relates to collective bargaining, can exceed 7 percent.

When we are talking about the price increase, which in Michigan and across the country is something like 13 percent or better, and the President is saying to the membership of the various unions that, "You can only go to 7 percent." And if you were president of a major national union such as the U.A.W., the Steelworkers, or the Rubber Workers, or whatever, and you are confined to 7 percent, and take that back to your membership, I would say that you would not be president the next time the election comes around.

Mr. CONYERS. Especially when the rate of inflation is 8, 9, 10, or 11 percent.

Mr. TURNER. That's right.

Mr. CONYERS. You end up with a wage that leaves you earning less than you were a year before.

Mr. TURNER. Precisely.

Mr. CONYERS. This is an excellent statement. I say that sincerely. It's been focussed on some very important points. And we want to follow along with your activity in terms of the price watch.

The question that I have, because I know you are in and out of Washington, and you are working with your leaders, and the president of the AFL–CIO, where is your organization going on this? What is the botton line? What do you perceive as your recommendations in terms of this entire subject?

Mr. TURNER. The recommendations, as President Meany has repeatedly said, and I alluded to in my prepared statement, Mr. Congressman is, that volunteerism has never worked on anything in this country, as you well know.

As a matter of fact, even the mandatory situation under former President Nixon did not work in 1972. However, if we have to lead in this direction, it would seem to me that the President should present this to Congress, and allow Congress in its' wisdom to be talking to their various constituencies around the country, as it relates to this whole question of trying to get this whole question of double-digit inflation under control.

I think that is the most appropriate place for it to be. It's unfortunate that I don't think the President has the wisdom nor the manpower in order to do that. I think Congress does have the manpower,

does have the money in order to get the manpower; and it has their hands closer to the pulse of the people throughout the country than the President.

Now, if that is not the way, we have other alternatives that we can speak to you about on this whole question of Humphrey-Hawkins that you were part of. It speaks to some of the things that we are talking about now, in terms of getting inflation down to a certain percentage by 1983 and beyond. It talks about getting down to zero unemployment at that period of time.

We feel that this whole thrust that we are talking about here is really tied to the Humphrey-Hawkins bill in terms of employment. This whole question of the budget, we read where there is a small increase in the military budget that the President has offered to Congress; and by the same token, we see there have been drastic cutbacks as it relates to the domestic budget. And those are the things that we are concerned about.

It's bad to say that you look at the city of Detroit, and it's just one urban municipality like other urban municipalities across the country. We are talking about more employment, and unemployment is beginning to take its toll again in the city of Detroit, and in certain pockets in the black community, for example, young teenage and unemployment among this group is steadily increasing.

All of that is really tied into this situation. It's so complex, that I think it takes this committee that you are part of, and it takes Congress to really wrestle with this, and meet with the various people across the country, in the various districts as you are attempting to do at the present time.

There is no easy solution to it; but if we all put our shoulders together, rather than just arbitrarily doing certain things on a piecemeal basis, Mr. Congressman, it's just not going to work.

Mr. CONYERS. Well, your mention of Humphrey-Hawkins, first of all, it reminds me of the tremendous efforts, and your organization's participation in getting it passed and signed into law last September. It also reminds me that in simplistic terms, that is what the argument is about now, what kind of economic policies shall we follow in the land, a full-employment economic policy, low interest rates, support for domestic programs, revitalizing urban centers, bringing on national health insurance, or one that reduces all domestic programs, and reduces the military budget.

We are caught in what I think is quite an unusual situation. We are caught within an administration which is now saying to us, that we are going to forgo the former, and for reasons that are still not clear to me, we are going to adhere to this restrictive, conservative, shortsighted kind of program that is going to inflict more punishment, more damage upon millions and millions of people.

It's really quite incredible to me.

We came in with one program, and we are going out with another, that none of us would dare attach our name or our organizational support to.

I think you have put it in a very good focus. This is going to be part of our record, and will be reprinted. I hope you will be able to have enough copies to distribute, in its final form, to as many of your membership as possible.

Mr. TURNER. I will. I gave Mr. Nelson Sanders that 60 copies that were requested. We have many more available for our total membership and for the committee, if they so desire.

Mr. CONYERS. We would like to get them. Counsel has a question.

Mr. MCSPADDEN. I have a few questions about the Council on Wage & Price Stability. And Mr. Kahn in the White House.

How receptive are they going to be to receiving the information that you are going to amass, the price data?

Mr. TURNER. About a month ago, President Meany had a conference in Washington, D.C., at which Mr. Kahn was present. That was April 9, in Washington, D.C., when President Meany had a conference with all of the presidents of the AFL–CIO, which is 106, and other officers of the trade union movement, and presidents of the State federation, and large central labor council, including my own was there.

Mr. Kahn indicated that he was very receptive in terms of what President Meany and the Executive Council of the AFL–CIO, back in March, had passed a resolution authorizing the State Federations and the Central Labor Councils throughout the country in doing exactly what we are doing; and they have sent us the information, the guidelines in which we are to do it.

And Mr. Kahn indicated that his small staff will cooperate 100 percent with the program.

Mr. MCSPADDEN. What are they going to do with the information, did he tell you?

Mr. TURNER. President Meany? No; he did not tell us. President Meany's hope is that all of this information that he was saying about innundated, we are going to do that, you know, to him; and hope that President Carter will see it and do something about it with the Congress.

Mr. MCSPADDEN. Did you ask him what he would do with it, or did somebody ask him?

Mr. TURNER. No; not at that conference.

Mr. MCSPADDEN. Once you sent it, you are obviously going to want to have followup on it?

Mr. TURNER. That is a good point; and I will get back with Congressman Conyers on that.

Mr. MCSPADDEN. Please, if there is any followup, send the subcommittee on any followup correspondence on whatever you have.

Mr. TURNER. Yes.

Mr. MCSPADDEN. One more question.

Have, in your opinion, Mr. Kahn's units been helpful to your efforts?

Mr. TURNER. Thus far, yes; they have been very cooperative.

I don't see them doing anything else. I think the consumer across this country is really all they have. And it seems to me that they should have started talking to us long before the President arbitrarily put this into effect. It's almost like after the horse is out of the barn, you close the door. This should have been discusseed before the fact rather than after the fact.

Mr. CONYERS. Congressional Staffperson Nelson Saunders.

Mr. SAUNDERS. Mr. Turner, will you be making straightout recommendations on the information you received? Will you be making recommendations to both Mr. Kahn and the President?

Mr. TURNER. Yes; we will, of course, be making that known; and I will also have President Meany's office notified to make the same recommendations known to this committee.

Mr. CONYERS. Very good. Excellent.

Thank you very much.

Our next witness is Father Cunningham, Shrine of Madonna, head of Focus Hope. We welcome you, Father Cunningham. It's good to see you.

Welcome to the subcommittee; we will incorporate your prepared testimony into the record, and then you may proceed at your own rate.

STATEMENT OF FATHER WILLIAM CUNNINGHAM, SHRINE OF MADONNA, FOCUS HOPE

Father CUNNINGHAM. Congressman Conyers, as a preamble, let me stress, I suppose even as Mr. Steiner began, this is a very complex thing. I am going to hit the economics with the narrowness, because I believe its dimension deserves this kind of attention.

It's not intended to be an analysis of the problem of the inflation-depression cycle.

Honorable members of the Commerce, Consumer and Monetary Subcommittee of the Committee on Government Affairs.

At the time of the Detroit riots or rebellion in 1967, the price of a can of pork and beans was 14 cents. Today, the same can costs 39 cents. In 1967, the cost of milk was 51 cents for a half gallon. Today, it is 90 cents to $1.05. The April Price Index states that anything costing $100 in 1967 now costs $211.20. At the top of the list is gasoline for transportation, and fuel for heating.

The cost for survival has doubled, while the ability of many Detroiters to purchase necessities is slipping painfully backward due to a remarkable phenomenon called inflation-recession.

In 1967, the Detroit Free Press-Urban League study on the causes of the riot cited the unequal and inflated price of poor quality foods as the No. 1 cause. The 1968 Focus: Hope Survey, exhaustively documenting the axiom: the poor pay more, indicated that urban poor, mainly blacks, were charged 15 to 30 percent more for food than their suburban white contemporaries.

This dramatic inequality has, in my estimate, together with other classic features of apartheid, continued to develop.

The socio-economic phenomenon of depression coupled with inflation is two sides of the new coin of racism. Trapped in Detroit and urban ghettoes across the country are blacks, browns, and other undesirable minorities, together with the elderly poor, the marginally gifted and those who came to Detroit because it's "the place where, when you go there, they have to take you in."

Detroit is home to the majority of Michigan native Americans, blacks, immigrant Chaldeans, and a host of others escaping from where they were, but unable to go anywhere else. Mostly Detroit is black, but Detroit is old—over half of the limited-income elderly from the entire State call Detroit home.

Meanwhile, in Birmingham and Farmington and other affluent suburban communities, heady with inflation, the poor and the aged and

the blacks are kept out. Recently Birmingham, only 7 miles north of Detroit, recalled and voted out in subsequent elections its entire government over the issue of building senior citizen subsidized housing, and possible accommodations for 13 black families.

I am saying, therefore, that racism and exclusion of the poor lies at the base of the recession-inflation conundrum.

Mr. CONYERS. They probably turned down HUD moneys that are available. I don't know if this particular community did.

You know about the practice of refusing HUD money, because it would require that you have an affirmative action program.

Father CUNNINGHAM. That's right. The MCHTA recommendations were thwarted by the Birmingham Council and the electorate; and as a result of that, there was a loss of HUD financing and other moneys.

The price of racism in the suburbs.

And the national leadership clearly and truculently supports this racial and social racking with budgetary trimming and priority cutbacks aimed mostly at the underbelly of society.

There are those who argue we must first attend to inflation before we zero in on recession, support programs, and reforms.

My contention is that we cannot attend to the rich getting richer, without attending to the poor getting poorer. And we cannot attend to either until we are willing to confront America's basic and historic dilemma, the dilemma of separate and unequal, the dilemma of racial intolerance and injustice.

Detroit was an abondoned city, abandoned first by whites, then by white-owned industry and business. Whites left behind everything old and used and broken, both people and buildings. With the white exodus went the jobs and the dribbling-down concept of economy which supported the majority of blacks.

While Detroit struggles valiantly and is regaining white affluent support, the distressed population remains either unemployed or locked in a support system years behind the inflationary demands.

More than a balance of payments, discrete trimming of welfare, subsidies to the military-industrial complex, fuel shortages, the problem facing Detroit and its suburbs is the moral decision to confront racism. The cost of malingering is to breed more and more virulent mutants of the simple South African disease of apartheid.

It is also my observation that survival has pressed the greater Detroit community to a new moral awareness of racism. Evidence is becoming clearer that we understand now much better than in 1967 the cost of bigotry. Detroit now has the Nation's largest feeding program for babies, children and mothers. Focus: Hope feeds with U.S.D.A. commodities nearly 35,000 persons, guaranteeing brain development, and physical health and offsetting the behavioral violence and apathy of under-nutrition. This program grew with the support of suburban whites, metropolitan churches and corporation efforts, once people were educated to the needs and distress of the poor and hungry.

Black and white students in our desegregated public schools, both in Detroit and several suburbs, are working together with their teachers to achieve new ideals of harmony and justice.

The mayor of Detroit has brought together new and hopeful coalitions of business and industry with a dominant black government. We

have seen healthy reforms in our city departments, especially the Detroit Police Department.

Focus: Hope, an integrated coalition of city and suburban volunteers, is growing in its power of persuasion to foster interracial coalitions for neighborhood stability, better education and job opportunities.

However, national priorities which ignore the etiology of the present depression-recession cycles and their heavy racial implications will only continue and increase America's primary and historic moral dilemma.

Thank you for listening to this myopic view of the problem of inflation and depression.

Mr. CONYERS. Well, we are very honored.

This statement tracks certain economic and social considerations in an extremely overpowering way.

We here in Detroit, of course, are grateful for your leadership. It is true, Focus: Hope and the efforts of many citizens who join with you, that we have the largest free food program of any nongovernmental agency in the United States. It comes right out of Detroit.

I'm very anixous to get the idea to other cities who need it as desperately as Detroit, that we can replicate Focus: Hope on a national basis. And I am very pleased that you joined us here today.

Are there any questions of the staff?

Thank you very much.

We will also introduce into the record the statement of the Regional Director of the Federal Trade Commission, Paul R. Peterson.

[Mr. Peterson's prepared statement follows:]

STATEMENT OF PAUL R. PETERSON, REGIONAL DIRECTOR, CLEVELAND REGIONAL OFFICE, FEDERAL TRADE COMMISSION

Mr. Chairman and members of the subcommittee, I am Paul R. Peterson, Regional Director of the Cleveland Regional Office of the Federal Trade Commission. I welcome this opportunity to testify today about the efforts and activities of the Cleveland Regional Office as they relate to combating and minimizing inflation. At the outset, I should state that the views I express here today are my own as Director of the Cleveland Regional Office of the Federal Trade Commission, and do not necessarily reflect the views of the Commission or of any individual Commissioner.

Regional offices of the Federal Trade Commissioner are responsible for the enforcement of antitrust and consumer protection laws and rules and the coordination of Commission activities with State and local groups in large multi-state areas. The responsibility of the Cleveland Regional Office, for example, includes the States of Michigan, Ohio, West Virginia, Pennsylvania, Delaware, Maryland and western New York. Because of our broad enforcement mandate, selecting enforcement matters is one of our more difficult decisions. In both antitrust and consumer protection, the anti-inflationary impact of each proposed action is one of the more important factors considered in case selection. Consequently, most, if not all, Cleveland office matters contribute in the war against inflation either directly or indirectly.

Cases involving price fixing between manufacturers and retailers of the product: cases involving price fixing between competitors: and cases involving various other agreements by competitors not to compete have been favorite antitrust targets of my office. Such illegal conduct produces less competition, which frequently leads to higher prices.

The Commission has recently obtained several orders against manufacturers for fixing the retail price of their goods. These orders have resulted in sizable consumer savings as increased retail price competition has led to lower prices being charged for the product. Lower prices for the product in question have

produced a rippling effect leading to lower prices for competing products. For example, staff estimates that the Commission's order against Levi Strauss has resulted in consumer savings in excess of $50 million.

My Cleveland office recently obtained a strong settlement against Interco, Inc., the maker of Florsheim shoes, London Fog outer-apparel and other apparel, for fixing retail prices. The order prohibits Interco from even "suggesting" retail prices for a period of 3 years and preticketing these prices. Interco is also banned from terminating dealers for discounting. Since obtaining the order, we have observed increased price competition in the retail sale of London Fog apparel. Although wide-scale price competition of Florsheim and other shoes has not yet been precipitated, signs of increased price competition have been observed in several large cities. As vigorous price competition in the retail sale of Florsheim shoes spreads to other markets, based on our experience with jeans, audio components, and other products. We believe lower prices will result, producing sizable consumer savings.

Recently the Cleveland office turned over its investigation of retail price fixing between two major food chains to the Justice Department for a criminal investigation. If the allegations of price fixing are correct, consumers may be paying more for food than they would be paying if the prices were determined through competition. Sizeable savings could result.

Another significant antitrust area in which the Cleveland office and other regional offices are increasingly involved is the prevention of anticompetitive mergers, for they often result in a lessening of competition. Where the production, sale, and pricing of a product is concentrated in fewer hands, prices may rise faster than normal. The Hart-Scott-Rodino Act has proven helpful in giving us advanced knowledge of proposed mergers. Several inquiries have been conducted by my staff of the possible anticompetitive effects of proposed mergers using submissions made under the act. Currently we are involved in a formal, nonpublic investigation of the merger between two large food manufacturers.

The Commission's efforts to minimize the effects of inflation also extend to consumer protection matters. Many of our consumer protection cases focus upon various unfair or deceptive advertising and marketing practices. Often, when consumers are misled, they make purchases that they otherwise would not have made had they known the truth. Furthermore, consumers may be forced to buy a replacement for such goods. The increased demand and waste created by such marketing practices is an upward force on price levels. Consumer protection cases seek to forestall such efforts.

The commission has increased its focus on the insulation industry because the rising cost of energy has resulted in an increase in consumer demand accompanied by an increase in deception. One of the most prevalent types of deception in the insulation area concerns false or unproved savings claims. The Cleveland office has played a role in the Commission's national investigation. To help stop the use of false and unsubstantiated savings claims, we have sent warnings to manufacturers and retailers under the authority of the Magnuson-Moss Act that use of such false claims could lead to significant court-imposed penalties. By stopping the use of such claims we are decreasing the deceptively created demand. This, in turn, should have a downward effect on insulation prices.

In addition to playing a role in the Commission's national investigation, the Cleveland Regional Office recently obtained an order against the Aluminum Co. of America, Inc. (Alcoa) for advertising that aluminum siding has a beneficial insulating effect. Our investigation established that the insulating benefit of aluminum siding is negligible. Alcoa agreed to refrain from advertising such benefits. The order, which recently was accepted by the Commission, should not only minimize inflation by decreasing any deceptively created demand, but it should prove beneficial from an energy saving standpoint. Some consumers whose primary reason for purchasing aluminum siding is based on the insulating claim instead will purchase effective forms of insulation.

Another example of Cleveland's role regarding deceptive insulating practices involves advertisements by Owens-Corning Fiberglas Corp. overstating dollar savings in energy by using their fiberglas insulation. The order against Owens-Corning requires it to stop making such unsubstantiated claims or face large civil penalties. This order, like the Alcoa order, should have a downward effect on prices by eliminating the deceptively created demand.

Another example of the Cleveland Regional Office's anti-inflationary impact regarding its enforcement of unfair and deceptive practices concerns our nonpublic investigation of a large national corporation that sells door to door through

hundreds of distributors. The distributor's salesmen, in order to sell consumers, have used a variety of deceptive and high-pressure tactics, including telling consumers that they were specially selected and that if they bought immediately they would receive a special deal. Frequently they were not informed of their right to cancel within 3 days. Because of these deceptions and others, many consumers have purchased a product they would not have otherwise purchased and have paid more than they would have paid had they shopped around and compared prices. Our investigation has resulted in warnings recently being sent to the distributors explaining the law and telling them that future violations could result in large court penalties. Since mailing the warnings, we have not received any complaints of illegal conduct.

The Commission in the recent past has been quite concerned about the inflationary impact of Government and private regulations. One of the areas the Commission has focused its attention upon is State regulation of professional services. For example, the staff's investigation of eyeglass regulations has resulted in a rule permitting advertising of eyeglass prices and requiring copies of optical prescriptions to be given to customers. Prices have dropped because of increased price competition through advertising and consumers have been able to take advantage of the lower prices because they have been given their prescription. The rule has resulted in large consumer savings.

In addition to eyeglasses the Commission staff has studied dental services, accounting, real estate, dental laboratories, medical services, veterinarian services, and legal services. The Cleveland Regional Office is leading the Commission's inquiry into legal services. In particular, we are looking to see whether other nontraditional delivery systems may provide quality legal services to many consumers otherwise deprived of such services because of their costs, and whether State and private regulations are impeding the development of these nontraditional delivery systems. The types of delivery systems we are focusing upon include legal clinics, group and prepaid plans, the group practice of various mixed professionals, and the offering of legal services by large retailers.

This is a summary of the Commission's and my office's recent activity that is contributing to the fight against inflation. It reflects, I believe, the Commission's mandate to making the consumers sovereign in the marketplace. I would be happy to respond to your questions.

Mr. CONYERS. We would like to invite Mrs. Rosa Parks to make any comments that she would like to at this time.

Welcome to the Subcommittee.

STATEMENT OF ROSA PARKS

Mrs. PARKS. Thank you, Congressman Conyers, and the staff people, and all other participants in this hearing on consumer affairs and consumer problems.

I would like to say that since I came through Detroit in the late fifties, and was then working for Congressman Conyers in 1965, I have been aware of, especially through his office, so many problems that confront his constituents. And I have felt that there had to be something very, very wrong with our system when, through the testimony that we have heard here, so many people who worked hard during their young and productive years for very little pay are paid only a fraction of what they are asking now, and save a little bit; and then they are penalized and punished for being thrifty.

It's heartbreaking and sad to hear some of the calls that come into the office as I answer the telephone and listen to middle-aged people, people who are younger than I am, who have become ill and have no benefits, no medicare or medicaid, no money for medicine, food and housing denied them. I'm constantly aware that through his efforts in bringing this out that we should be grateful for his interest, and I know I am, personally.

The question before us now is what the solution may be, and none of us seems to have a solution. Personally, I feel that we need to be more aware and concerned about those who are less fortunate, if only on a one-to-one basis, whenever we can, to share the means that we have, because sometimes the social services and other agencies just don't move with regards to the needs of people.

Mr. CONYERS. What accounts for that intrasigence that you are experiencing?

Mrs. PARKS. I believe a great deal of it may be from the bureaucracy, the red tape, the agencies are not, well just not moving. And while a person can call in and say they have no food at all at home, and we call the social services, then they have to refer to somebody in the office, some worker who makes it a point to go out and make it their own personal affair. But in the meantime, the person is still here and still in need.

I can recall a few years ago when I was more active myself, of going to a home where a woman with two young children who was suffering with a back ailment and not able to get up. And I can remember that I went to my house and got some food out of the refrigerator, and a friend of mine and myself went to the home. It was amazing to see the home. There was not a sign of any food that had been there recently, not a potato peeling, not a bread wrapper, nothing.

I wondered what would have been done if Congressman Conyers had not given me the position on his staff that I am now on, at that time.

This is not completely isolated. Many people suffer just this way until some individuals know of their needs and help them in a crisis, until perhaps the Social Services Department will move. Many of them are trying to get social security. And that's always a hitch and a delay. If there was only some way that we could cut through the redtape and become more humanitarian toward the needs of people who are suffering, all the way from the young expectant mother to the senior citizens who actually suffer in many instances because of the system under which we live, and the bureaucracy and the redtape that will not help them in the time of need.

Thank you.

Mr. CONYERS. Thank you very much for appearing before our subcommittee, Mrs. Parks. We know your compassion and concern has been very large over the years. And, of course, we know that sometimes you are personally involved and have involved yourself with the problems of many less fortunate in the city. And we are very grateful to you.

Mrs. PARKS. Thank you.

I have had many personal problems, myself; but, sometimes, when somebody else relates something that even makes my own problems small, I feel compelled to contribute if I can to relieve the suffering of as many as I can.

Mr. CONYERS. Thank you very much.

Chuck Stern, with the city of Detroit, is the executive director of the Nutrition, Hunger, and Malnutrition Task Force.

Mr. Charles Stern is very active, and has been very dedicated in a variety of programs in the city.

We welcome you today before the subcommittee.

STATEMENT OF CHUCK STERN, EXECUTIVE DIRECTOR, NUTRITION, HUNGER, AND MALNUTRITION TASK FORCE, CITY OF DETROIT

Mr. STERN. We are participating providers of food programs. We try and keep an eye on all the school meal programs, the summer programs, the commodity programs, the senior meals programs. The nature of our watches and our advocacy position is, we monitor the programs, we do an analysis of regs and legislation, we know about the grants, and are writing a booklet for information and referral that will be out this summer, called "How To Feed the Hungry," so everyone can understand what they can do with the particular feeding programs.

It's a frustrating task. What we do, although the list sounds great, by and large what we do is crisis management. We are always behind, trying to struggle to get those folks at the bottom at least up close to even.

Mr. CONYERS. What kind of challenges are you confronted with in your position?

Mr. STERN. Almost any program facing normal running day-to-day operations are often catastrophes for individuals, those folks who call, each individual's program, they are faced with problems of getting into the program, the senior meals programs, the Kennedy "meals-on-wheels" program has authorized $100 million, but appropriated nothing. That is a catastrophe for those people who need meals at home, and can't go anywhere to get it.

Mr. CONYERS. Did the program ever start in Detroit?

Mr. STERN. We do have a small meals-at-home program. The large program that finally was authorized was never appropriated, so we have a massive waiting list of those people who are in need of that program.

Mr. CONYERS. What happens to them in the meantime?

Mr. STERN. They fend for themselves the best they can. They have food stamps, if they can get on that program.

Now, we are faced with a potential food stamp cut, because we now have a cap on the program. A cap that, although the program will allow anyone in it, unlike the senior meals program, anyone who needs food stamps can get into it; but it cuts the level of funding for everybody. We are down to about 30 cents a meal on food stamps. You know what 30 cents a meal does.

We are faced with a loss of chainstores in the city. The chains have gone from the city, and we are left with the ma-and-pa stores, small local markets that often charge 30 to 40 percent more for the same food item and, interestingly enough, may be owned by the same person. I call them ma-and-pa stores. They are really local markets often owned by the same people, who will charge a better rate in a more affluent neighborhood.

We got a lot of people who come to us, even though we are not an information-referral organization.

What I would like to do, I took one letter from the letters that come into the office, and I would like to read that into the record, because what we try to do in the task force, if we are doing what we should be doing, is speaking for those people who have less ability to get their words heard. This letter is symptomatic of things that are happening.

The gentleman is named Harold Parsons, and is the person who wrote this letter. He is trying to fend, but I would like you to know what it is he has to work with.

[The letter from Mr. Parsons follows:]

19901 WHITCOMB,
Detroit, Mich., April 18, 1979.

State Senator JACK FAXON,
Senate, State Capitol,
Lansing, Mich.

Re Food stamp program, Wayne County Case No. K1501899A.

DEAR SIR: Has it occurred to you that there is anything wrong or unfair in the new Food Stamp program? I am a senior citizen, 73 years of age, married, have been receiving food stamps for some four years, and was recently reviewed under the new rules by Mrs. G. Patterson of the Lyndon District Office in Detroit. I do not in any way question Mrs. Patterson's handling of the case. She is a most pleasant girl and was, I am certain, only following the rules.

However, my total income is a Social Security check for $273 a month. As of July 1978, I was able to purchase food stamps in the amount of $96 on which, with the aid of a garden, my wife and I were able to get along quite nicely! As of January 1st, when it was no longer necessary to buy the stamps, I received $71 in stamps, which made things somewhat tighter but still manageable. Now, after recertification, I will only get $52, a loss in my food buying power of some 26 percent!

Taken together with the rapidly rising food prices, currently at a rate of 14 percent or better, I have lost something over 40 percent of my ability to buy food! Would you like to face that prospect?

Part of the trouble, it seems to me is that under new regulations, Mrs. Patterson said she could no longer allow any deductions for our Blue Cross, which costs us $757.80 per year at present, and which is necessary because my wife is not yet eligible for Medicare. Our house and car insurance, because of redlining in the city of Detroit, amount to another $392. Electricity cost for the year was $194.12, telephone $51.48, and water $56.67.

Assuming no rate increases, which is an unlikely assumption, these more or less fixed expenses, including heat, total $1,902.07. Since my income total is $3,271, you can easily see I have little to spare. Yet all I can be allowed for housing costs is $35, and I can receive only $52 for food!

Surely, you can do better than that!

Sincerely yours,

HAROLD B. PARSONS.

CC: Mayor's Hunger and Malnutrition Task Force Michigan Department of Social Service.

Mr. STERN. Such is the nature of inflation for those people on fixed incomes.

Mr. CONYERS. That is a powerful letter.

Are you acquainted with this problem of bad food in the public schools under the lunch program?

I remember an elementary school on the West Side in which the youngsters complained to me that the bologna sandwiches were frozen and unedible.

Mr. STERN. We hear a lot of comments about that.

Mr. CONYERS. This is a couple of years ago.

Mr. STERN. We still hear the comments. Green hot dogs, foods left unfrozen, foods refrozen. There are still those complaints that come through. We are struggling to get a breakfast program into the school system for those people who cannot put a breakfast on the table.

The nature of inflation causes a whole lot of families to have two people working; and if there is only one adult in the household, and that person is working, and if you have taught kids in the public schools, you know they get wired up around 11 o'clock when they have not eaten. Many of the problems in the schools are inherent in the fact

that kids don't eat very well, and that is much of the problems in the schools.

We are struggling to get a breakfast program in the schools. We now have a State-mandated program, and that will start in the fall, this year, in a number of schools. And every summer we go running around the State trying to fight for the legislation that will designate that program. We are working with the Detroit school system, trying to encourage them to move along quietly, but that hasn't been satisfactory.

Mr. CONYERS. Then I presume, of course, that the mayor makes recommendations that are compatible with making this program work?

Mr. STERN. As a director of the mayor's task force, and those food issues, the task force speaks as a task force to those issues.

Mr. CONYERS. Very good. I'm glad you joined us here today.

Thank you very much.

The next witness is Frank Curran, president of New Homes, and he is from New Haven, Mich.

We welcome you to Detroit. The floor is yours.

STATEMENT OF FRANK CURRAN, PRESIDENT OF NEW HOMES

Mr. CURRAN. I very seldom come to a meeting that I don't have something to say. I make the rounds regularly.

I want to thank the committee for permitting me to speak. I am a good man; I can hear with my eyes; I can see where your staff and yourself have taken it upon yourselves to hear the rest of us, and help us in our way.

I have come a long way. I have spent a long day, and I certainly thank you for your kind consideration.

I can see that, and I want to thank you for it.

First if all, I want to say that I am on ironworker by trade. I earn my living with my hands and my back, and I've got the broken back and calluses to prove it.

Mr. CONYERS. Are you retired, or are you still at it?

Mr. CURRAN. This is one of the subjects I want to bring across to you. I know you are going to hear a lot of rhetoric, if I know the word right. I don't use it as a rule, because I'm pretty common. I understand the English language as it is spoken just as an ordinary workingman. This is the way America does it here, now. This is a good way. This is the way it should be done.

By the way, I have a nephew in Poland, and his name is Jasha Curran; and I understand Jasha Curran, according to the Reader's Digest, is in trouble again. Of course, this runs through my family, the Curran's are dissenters; the Curran's are agitators; the Curran's are aggravaters. You name it; and I'm paying the price for it, right now. I should be working. I'm laid off again. I paid the price terrifically for the past 10 years.

Mr. CONYERS. Do you have a union?

Mr. CURRAN. Yes; it's a dues-collecting agency, called the Ironworkers. I don't mind saying it out loud, I don't mind saying it for the record.

Right now, I would like to give you a bit of information about myself. I'm 62 years old. I was hoping that I could retire this winter. I have a wife second-to-none, barring none. She's a beautiful person,

one of the best people in the world. I have raised two children; I've got six grandchildren; and I hope I can leave them something.

Today, what I think this committee is missing, and I have been listening for it is, there are thousands of our youngsters, literally tens of thousands of our youngsters are not going to go to work today, because I cannot afford to retire. One of the biggest things I have heard in the last 2 or 3 years that, "No, I can't retire, because I can't beat this inflation bit." I know people in the 65-year bracket who like to travel. They would like to take a little fishing trip here and there and do this and that. They can't do it. We have made captives of them in their own homes; they are sitting tight. They are making that buck stretch.

Let me talk about a favorite subject of mine, the utilities.

The Public Service Commission here in the State of Michigan is a joke; it's an absolute joke. Since they got rid of, or probably thankfully so, they got rid of Bill Rahls on the Public Service Commission, and I took the time and trouble 5 or 6 years ago to become an intervenor. It was hard. My friend, Tom Morgan, and I are probably the only intervenors in Monroe County.

Let me tell you this, that as far as the State of Michigan is concerned, the utilities in this State have got the politicians and the press in their back pocket. I mean it. I have seen it time and time again. Tom and I took the time and trouble to go to Lansing, to appear before the Public Service Commission numerous times. We saw one energetic news reporter there that had this large yellow page; and Tom and I made some pretty good copy.

The man approached us and wanted to know our names, addresses, and everything.

We told him that he was just wasting his time, that they wouldn't print anything we had to say, anyway. The young man assured me that there was no question about it, this was news. We were good subjects. And anxiously we waited for the Detroit News the next day, to see what it had to say about the Public Service Commission meeting; and all we found is that "there were two citizens from Monroe County that appeared."

I just want to point out and caution this committee, I notice all the time that you get very little publicity, very little publicity. The news media in this town aren't going to give you the time of day.

Mr. CONYERS. I was interviewed by the Detroit News rather extensively during the break. They wrote down all of my comments.

Mr. CURRAN. Let me say this to this committee, and our friends out here.

Any similarity between what you have seen and heard today and what you and I know and will read tomorrow night in the newspaper will be purely coincidental. I have seen it time and time again.

Let me say this, that unless you get a secure hold on the public utilities, they are going to bleed us to death. Today, it's the nuclear race; and believe me, I see it, because right in my backyard are the Fermi I and Fermi II. I took Fermi I out of the ground. I took Fermi II out of the ground; and when I began to say my piece, as you can hear me today, I was laid off. I participated in the writing of the book, "We Almost Lost Detroit." My name is "Curran," but it's mud as far as Detroit Edison is concerned. It was mud when I became an intervenor against these huge rate hikes. And I tell you this, the more the util-

ities spend, the more they waste, the more they steal; the more they earn, the more they throw away; the more they make—and it's just a beautiful setup where they can't lose.

I went to the stockholders' meeting approximately 2 or 3 weeks ago, and I'm going to tell you something, the flashbulbs were popping all over the place, the cameras were grinding away like hell. And I'll tell you what I saw on television. Of course, what my friends saw, nothing, nothing. The local paper said that I was up in Detroit. The local paper follows me pretty good; but the Monroe Evening News wouldn't give me the right time of day.

Now, there is something wrong with Congress when they allow the public utilities to rape this country, and I mean rape.

As far as retirement is concerned, my God just dig into the magnitude of what this means! There are thousands of our kids that are not going to get a job because I cannot afford, and my friends and neighbors cannot afford to retire. I live in a unique area south of Fermi I and Fermi II. We have an overabundance of widows. In my peninsula alone, we have 16 widows, 110 families. And I know what those people go through, because I try to help them every way, shape, and form that I can.

Mr. Conyers. What happens to them?

Mr. Curran. They squeeze by. They are going hungry because they have to pay their rent, the utilities. In fact, one of our neighbors, Mrs. DeLanski, just paid 65 cents a gallon for fuel oil, 65 cents a gallon; and she has approximately $240 a month.

My wife and I are helping her get over some convalescing. We are glad to do this. I think there is a reward there somewhere for people like us, if we can get satisfaction out of helping other people, I would say we are doing a lot better than a lot of these guys, because they are not going to take a dime with them—not a dime.

This is the beautiful part of life. You can have it, but boy, you don't take a penny with you.

Let me say this, as far as the news media is concerned, you people ain't going to get the right time of day out of them. Prepare your own news release and say, "Look, you take it or we'll put it in the form of an ad." Then they must take it.

Now, as far as Washington is concerned, the chairman was here and he asked a question several times. I was hoping he would ask me, "What do I think about Carter and inflation, and will the programs work?"

Well, let me just say to you, Congressman Conyers, you didn't give us much choice last time. We had a peanut farmer and a football player. I'm coming onto 63 years of age, and for God's sake, don't make me vote Republican. I have never voted Republican in my life, and you're driving me to it. Now, somewhere along the line, I'm going to crack.

Mr. Conyers. You are not going to jump out of the frying pan into the fire, are you?

Mr. Curran. That's the only thing that's keeping me from doing it.

Mr. Conyers. Those are the guys that are pushing the Democrats to the right. You're not going to reward them for that, are you?

Mr. Curran. No; I can go to great extremes; but I think that would have to be the last resort.

You asked a question, "why, in Detroit?"

I wrote my answer, "Why have things gone up so high in Detroit? Let me tell you this, you asked the question and you didn't get an answer. Let me give you my answer.

Detroit and Michigan have enjoyed high wages, good income for many years since the war. Detroit and Michigan have enjoyed high wages, good living, and the people here have worked hard. Nobody gives nobody something for nothing, not the workingman, anyway.

I'll tell you this: these people know how many bucks we've got stashed under the mattress, or in the little bank somewhere. They know how many bucks we've got, and they know what the traffic can bear, and they are in here in Detroit, extracting the last ounce of blood. And I'll tell you, we are reaching the limit here in and around Detroit. There ain't no more money; and I have tried to tell it from several different points of view here, as far as some of our Government programs are concerned.

Let me say this to you. There is something wrong with our priorities. There is something radically wrong with our priorities. If this committee was called a Port Commission, you could get all the money you wanted.

We have certain problems in and around Monroe, and we also have what we call a Port of Monroe. It's been there for years, to collect the gook that was coming from the papermills. So today, some smart guy's going to make this into a big port, thousand-foot freighters and everything else. Money is no problem. They can get all the money they want.

I think we should label some of our welfare programs or our food stamp programs, the "Port of something or other," and we would get all the money we need.

There is something radically wrong with the priorities in this country.

I want to tell you something: the senior citizens who have worked all their lives, and I have worked since I was 17 years old, believe me, I come from a family of eight—there are four boys and four sisters in the family—we served our country, and we served our country voluntarily. And I would serve it again. There ain't no name they can call me, such as anti-American. I'm as good an American as any of them, and better than most of them.

My God, there is something radically wrong. I don't know what it is; but there is something radically wrong, because we have our priorities mixed up.

You have read and seen stories in the media of some of our senior citizens eating dog food. They are not without merit.

The State of Michigan has set aside millions of dollars to pick up the tab for our utility bills. In other words, the utilities are guaranteed payment under this program.

I told them in Lansing about 6 years ago that this was going to happen. They laughed in my face. We have had many people in this country, right here, that have frozen to death because they are too proud to go to the welfare. They stretch that buck just as far as they can. And when you sacrifice one for the other, you are going to sacrifice heat for eat, or eat for heat; and by God, when I see people go to bed with the chickens at 8 or 9 o'clock, they don't even have a television. They turn the radio off at 8 o'clock and they go to sleep.

The utility companies in Michigan, right here in Detroit—Detroit Edison—when they lost approximately 20 percent of their income because we saved, and everybody said you must conserve; so we conserved, and what happened? They jacked up our bill, so we didn't save nothing.

Let me tell you something. About 5 years ago, I quit drinking. I drank all my life, you name it, I drank it. You should have seen me when I was in my prime. I want to tell you this, it's 5 years. I've tried to do what is right; I've tried to settle down; I have tried to go the way I know I should go. By God, I'll tell you, there is something wrong here; you're going up against a stone wall.

These phoney boloneys in Washington, you give them the word that they don't have Michigan in their back pocket. The Democrats had better wake up, or by God we are going to start running.

Thank you.

If there are any questions, I'll be glad to answer them. I'm grassroots. I've got a good ear and a good eye.

Thank you, again. And I appreciate your coming to Detroit to hear us.

What more can I say? I'd better leave while we are smiling.

Mr. CONYERS. Thank you very much, Mr. Curran.

Our next witness is Mrs. Leola Mason.

STATEMENT OF LEOLA MASON

Mrs. MASON. Well, nobody but me, me and the Lord, and I'm being abused about my medicaid, and I was refused about this 2 years ago when I lost my home.

Mr. CONYERS. How did you lose your home?

Mrs. MASON. I couldn't pay Edison and Michigan Consolidated Gas Co.

Mr. CONYERS. They don't take your home away because you can't pay them.

Mrs. MASON. I'm not talking about what I lost. I want that medicaid card, so I can see about myself. I lost my hearing. You have to work for 7 months after you apply for your Social Security. I've had some kind of brain damage thing. I have to be at the hospital at 2:30, and I've got to leave here and be there, so I can get in the line at the clinic.

Mr. CONYERS. We'll be very happy to service.

I'm very happy you are here, Mrs. Mason.

Mrs. MASON. I have been working since I was 20 years old. I lost this eye when I was 33 years old. I kept on working. I was just 1 year and 9 months on A.D.C. My boy raised himself on the streets for awhile.

I've never been nothing but a worker. I was born partially blind, but I work. I've never been a drunk. I think I need some justification from whomsoever I can get it from, to get my medicaid, to see about myself, because I can't pay with $312. I can't pay my rent, which the State is helping me with now, and buy my medicine. I've got to get to this doctor at 2:30. I need to fill a prescription, I'm mixing herb with medicine, which is bad. I can't afford money for medicine out of $312. I can't eat right. I don't know why I'm fat. I don't drink beer;

but I'm getting fatter. I gained 11 pounds. I'm not worried, because I know it's going to go away.

I just beg you to see about getting the medicaid card, for someone to release my medicaid card. I don't like doctors, and I don't go. I'm not a chronic complainer. For 2½ years I was in Highland Park General Hospital with a kidney infection. I was in there when they closed it down. I went to the herb store and got herbs and put a board in my bed for my back. I fell and went to Ford Hospital, and haven't paid that bill.

They put me up for 2 months, and a week. I fell out again. I was there Friday. I've got some kind of brain thing. I don't know what it is. I have an oozy head and all of that.

I need just a little bit of consideration from somebody. I'm not getting it from the authorities at the Holbrook place. I went there trying to get some oil to save my house. I went and filed for my dead husband, dead 5 years. And I'm getting $145. My bread and beans costs more in my neighborhood than it costs in yours; because when I was living at Six Mile Road, it was a little cheaper. I'm on Richton and Hamilton now. Toilet tissue was 62 cents. When I was in my home, I was in a better area. I'm no college graduate. I went to grade school. It's been a long time.

Everybody's thinking about his paycheck today, and don't think about the other person. All he's thinking about is the way he wants to live, not the way the other person wants to live. He's not interviewed, pulled in, whether he has the ability or not.

I worked for the Army once. There was some dirt there. I didn't get paid for that. They didn't hire me to scrub. They said Monday, Tuesday, Wednesday, Thursday, you have to scrub, and stay here until 2 or 3 o'clock.

I said, "You didn't hire me to scrub." That was in Atlanta, Ga.

I've come a long ways and I've seen a whole lot. There's a lot of people, and I'm not saying what his race was, or who; because the devil don't only get in the black man; he's in everybody.

You people are after what you can possess and get, and you're not looking at God's children. We all belong to God, if you didn't understand it. He put us here to inspire and help one another.

Mr. CONYERS. Where is your meeting at 2:30?

Mrs. MASON. I'm begging you to let me have that card, so I can see and keep my balance.

Mr. CONYERS. We want to help you.

Where is your meeting, Mrs. Mason?

Mrs. MASON. They want to give me a transplant. This artificial eye: I won't let them.

Mr. CONYERS. Where is your appointment at 2:30?

Mrs. MASON. I guess I can be a little late. It's 211 Glendale, this here clinic. I have to go there to take another test.

Mr. CONYERS. Here's what we are going to do. First of all, hold it a minute. I appreciate your coming here to the hearings.

Mrs. MASON. I wish you would give this to whosoever it can go to. My Lord is working on it. I need that card very bad. I'll be 64 years old next Monday, and I need attention from the doctors.

Mr. CONYERS. We are going to have Mr. Stanley Hill drive you to your appointment.

Mrs. MASON. I thought I had glaucoma. I didn't. I come there with syphillis in the eye, born by a country woman. I think I need a little justice, I wanted. And I've been in and talked to a good lawyer. I'm going to do something, because he wants the money. I don't. I just want justification for that card.

And I thank you.

Mr. CONYERS. I hear what you are saying. I also feel what you are saying.

Mrs. MASON. I'm not complaining about what I lost. I want to keep going.

Mr. CONYERS. We want to have one of our staff go with you to the meeting. We are going to have one of our staff go with you to your appointment at 2:30, to make sure you get your card.

Mrs. MASON. To take me there?

Mr. CONYERS. Yes.

Mrs. MASON. I never had nobody love me that much.

Mr. CONYERS. We are getting ready to take you now. Mr. Stanley Hill is going to go with you.

I am going to be waiting. They are going to come back immediately and let me know what happened; so we are going to make sure we get you some measure of justice.

Mrs. MASON. Like the other ear, they can't save the ear, and I can't take no more of the medicine to keep my balance.

Mr. CONYERS. I am going to have to call our next witness.

Mrs. Rosetts Sadler.

Thanks for staying with us this long. You may be the last witness. I know you are not the least. I know you have some testimony about the high cost of insurance, and how it contributed to our problems here in Detroit.

STATEMENT OF ROSETTS SADLER

Mrs. SADLER. Yes; I have a vendetta against the Blues. The cost of insurance for senior citizens is out of this world. Seniors are hurting. My husband pays $53 a month for the Blues. We were also pushed on medicare. I never saw any sense in that, because we had full coverage when he was working.

We are fortunate that both of us are well. I take a medical examination twice a year, and we are paying in all of that money. And because of the $50 deductible, I have to help pay for those tests, and it doesn't seem fair.

Mr. CONYERS. How much do you pay?

Mrs. SADLER. Well, it's according to—well, around $50 or more sometimes.

Mr. CONYERS. How often do you have to pay?

Mrs. SADLER. Twice a year I have to have a test.

I'm recommending that senior citizens, workers who have full coverage with Blue Cross, when they are retired should not be pushed onto medicare, because these two insurances hide behind one another, and a lot of times, you get those bills from the hospitals, from the doctors, and you go and pay them, and find out later that you didn't have to pay them. It's just nonsense to have us on both. I would rather, because before we got our social security checks, the cost of

this insurance, medicare, is taken out of the money. I would rather give that to the Blue Cross, so I would know that I have full coverage.

Mr. CONYERS. Do you ever get your money back when you pay and you didn't have to?

Mrs. SADLER. No; I have never gotten it back.

Now, my recommendation, as I said, the first one is, that the person who has been paying the full coverage in Blue Cross not be pushed on medicare.

The second recommendation, that the Blue Cross help families maintain their loved ones, their members of the family in the home, because it would be less costly than to have them in nursing homes, and it would be more humane.

Those are my two recommendations.

Mr. CONYERS. They are excellent, and I applaud you for carrying on this battle. It's a very uneven battle. We are trying to bring some justice into this system.

It seems to me that we need a better delivery care system to help.

Mrs. SADLER. I think so, too. We need more information. So many people don't have any information at all about what medicare is. I don't know whether they read the material that is sent to them or not. Maybe not; but they don't know whether they have to put their sick people into nursing homes; they don't know what they should get. And most of the time they only offer them, if they bring them home, they only offer you help 4 hours a day. And if you are a senior citizen, 4-hour-a-day help is not much help, when you have 24 hours to see after a sick person.

Mr. CONYERS. Thank you very much.

Mrs. SADLER. I was a member of the civil rights movement; and I belong to the Peace Coalition, and I am a person who is against building more nuclear plants.

Mr. CONYERS. Thank you very much, Mrs. Sadler.

The subcommittee is going to conclude its hearings today.

We are very grateful for all of the witnesses that have come.

This will be reproduced as an important part of our regional hearings.

And the subcommittee stands in adjournment.

Thank you all very much.

[Whereupon, at approximately 3 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Friday, May 18, 1979, in Chicago, Ill.]

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 11, 1979

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

The subcommittee met, pursuant to notice, at 10 a.m., at the offices of Self Help Action of Chicago, 5940 South Ashland Avenue, Chicago, Ill., Hon. Benjamin S. Rosenthal (chairman of the subcommittee) presiding.

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

Also present: Representative Morgan F. Murphy from the State of Illinois.

Staff present: Peter S. Barash, staff director; Stephen R. McSpadden, counsel; and Jack Shaw, minority professional staff, Committee on Government Operations.

Mr. ROSENTHAL. The subcommittee will be in order. We are going to have to try and deal with the acoustical and logistical arrangements. We are trying to get a PA system working here, and we will all have to try and be as cooperative as we can.

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. Hearings have already been held in Dallas, San Francisco, Sacramento, and Detroit.

Earlier this year, the subcommittee held several days of hearings in Washington into the adequacy of the Federal effort. These hearings raised serious questions as to the ability of the Council on Wage and Price Stability to monitor excessive price and profit margin increases in the economy. They also reveal that the current wage/price guidelines effectively exclude the most inflationary sectors of the economy—energy, food, housing, and health care costs.

The subcommittee's concern over the effectiveness of the present anti-inflation program has been heightened by the testimony we have already heard in other cities.

Regional officials of the Bureau of Labor Statistics have told us there is no statistical evidence that the wage/price guidelines are working to moderate inflation.

Representatives of the elderly, the poor, the handicapped, and lower middle income consumers have testified that they have run out of ways to cope with the skyrocketing cost of living.

Evidence has been presented to us that the wage/price guidelines are holding down wages but not excessive prices and profits in the utility and other industries.

We have learned that the State governments have failed to implement many of the most important recommendations of the Council on Wage and Price Stability on ways for States to fight inflation.

These regional hearings are being held because the U.S. Congress and other decisionmakers in Washington must have a firsthand record of the effects of inflation on the lives of our citizens.

As soon as these hearings are concluded, the hearing record and the subcommittee report will be made available to the Congress and to the President.

I wanted to comment that the subcommittee is joined by Congressman Morgan Murphy, in whose district we have the honor to be here today. And we know that Congressman Murphy wants to say a few words.

STATEMENT OF HON. MORGAN F. MURPHY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. MURPHY. Thank you very much, Mr. Chairman, and my colleague John Conyers from Michigan.

I would like to welcome the Subcommittee on Commerce, Consumer, and Monetary Affairs to my congressional district and to the city of Chicago.

I am very pleased that the subcommittee is seeking a firsthand view of the effects of inflation on the daily lives of Chicagoans. This hearing is also important because it provides an opportunity for citizen participation in the legislative process. I commend the subcommittee for holding these hearings in a community where citizens have a chance to participate.

The 96th Congress, more than any recent Congress, is committed to evaluating the success or failure of Federal programs and policies.

This subcommittee is in Chicago to examine the Federal Government's anti-inflation program. The subcommittee will exercise its oversight responsibility and evaluate those Federal agencies concerned with inflation.

As everyone knows, the most pressing problem facing this Nation is the continued high rate of inflation. Every day my constitutents are faced with higher prices.

Food and gasoline prices are especialy out of hand. These increases have a devasting impact on low and middle income people who spend about 80 percent of their disposable income on food, housing, health care, and energy. My constituents are convinced that inflation is getting worse and not better.

There are a number of serious questions concerning the effectiveness of the President's anti-inflation program. I am confident that this hearing will help to answer many of these questions.

The testimony received at these hearings will allow the subcommittee and the Congress an opportunity to formulate a policy that will protect consumers against the ravages of inflation.

Again, I thank the subcommittee for being here on South Ashland Avenue and commend the community residents for their interest in these hearings.

Mr. ROSENTHAL. Congressman John Conyers of Michigan.

Mr. CONYERS. Thank you very much, Mr. Chairman.

I would like to first of all say good morning to all of the Chicago residents, and to the members and leaders of the Self Help Action of Chicago for helping us have the hearings in Chicago. We are pleased that Morgan Murphy, our colleague, is here with us and we think we are going to have an important set of hearings when we are finished. And I just want to commend the chairman of this subcommittee, Ben Rosenthal of New York.

You know, the people of New York think that that is the center of where everything is, but it is in the Midwest that you get the true feeling of what is going on, Ben Rosenthal. And I just want you to know that Detroit and Chicago are only an hour apart.

So, we are very happy to be here, and we want everybody to tell it like it is. This is not some kind of a put-on hearing. The testimony here is going back to Congress, and it is going to be studied to determine two things:

One, what we are doing wrong, and two, what we ought to be doing. So, we are very grateful for you being here.

Thank you very much.

Mr. ROSENTHAL. We are going to try to conduct these hearings in as informal a fashion as the opportunity permits, and everyone who is on the witness list will have a full opportunity to testify. And when we have concluded the prepared list, we want to hear testimony from anybody who is here and anybody who is so inclined and so disposed to do so. So, everybody will have an opportunity to testify.

Our first witness is Dorothy Shavers of the Self Help Action of Chicago. We do want to say thank you to Mrs. Shavers for her enormous cooperation and help in providing this site for this hearing.

STATEMENT OF DOROTHY SHAVERS, EXECUTIVE DIRECTOR, SELF HELP ACTION OF CHICAGO

Ms. SHAVERS. As you know, I'm Dorothy Shavers, and I would just like to say that we are honored to have you here today, and are sorry we don't have a fabulous place for you to come into, but we think it is an honor that you wanted to come here and share some of the things that we are trying to do in the low income communities.

We set up food centers in low-income parts of the city where we deal with food, the job situation where a lot of people are able to work, and just community activities.

What I would like to say, you know, we know that you are interested, otherwise you wouldn't be here, but some of the things that you are going to hear today, people are going to be saying what a problem they are having. And we all know everybody is feeling the crunch of inflation right now, but what we would like to propose to you is that you would make Chicago a model.

With some help we could do this. And we are already doing it just surviving, but I feel that Self Help could be a model in Chicago, then it could be duplicated in all other cities because it is a very little effort, and it will solve some of the problems of food and employment and a lot of other problems that go along with the problems that poor people are confronted with.

And again, I would like to say thank you very much for having your hearings here.

Mr. CONYERS. Thank you.

What do you mean by Self Help organization, what is that?

Ms. SHAVERS. Self Help Action is a food program where we set up food centers in low-income parts of the city, where people can buy food direct from the farmers from 40 to 60 percent cheaper than they can in any store.

And we have 40 locations in the Chicago area, and most of them in the district where Mr. Murphy is, and I have talked to him a number of times so he is aware of what we are doing here.

But I do feel that Self Help could be a model for all other cities in the country once it has been established perfect here. And I feel it can be done with some Federal support.

Mr. CONYERS. Do you get any Federal help now?

Ms. SHAVERS. No.

Mr. CONYERS. Where did you get the money?

Ms. SHAVERS. Well, we get Federal help in the form of CETA, employees. But we'd need funds for the building to be in shape. The coolers are here, the freezers are here, the trucks are run down, and, you know, you can't pay people on time. These are the kinds of problems we have with CETA.

So, if some Federal funds were available where we could make this a model, it could be duplicated in other cities.

We have been doing this now for 7 years.

Mr. CONYERS. How many people do you serve, how much food, how do you get the food?

Ms. SHAVERS. We have 8,000 members registered and from this we do about $20,000 a week.

We have food sales 5 days a week and each sale is about 20, maybe 12 to 14 centers per day.

[Ms. Shavers' prepared statement follows:]

PREPARED STATEMENT OF DORTHY SHAVERS,
EXECUTIVE DIRECTOR, SELF HELP ACTION OF CHICAGO

Self Help Action Chicago
5938-40 South Ashland
Chicago, Illinois 60636
312/239-5100

May 11, 1979

Federal Anti-Inflation Fight and
Impact of Inflation on Consumers
Congressional Public Hearing and Testimony
Self Help Action of Chicago
5940 South Ashland
Chicago, Illinois 60636

The unprecendented rise in the cost of goods and services over the past few years has seriously affected the ability of persons on limited income to continually struggle for survival.

The Organization Activities

Self Help Action of Chicago is a not-for-profit organization, providing cooperative programs of food distribution and nutritional education to residents of low-income inner-city neighborhoods. SHAC represents an alternative to a growing, inflationary, monopolistic food distribution system that currently imposes disadvantages on low-income consumers as well as small farmers.

Our program has organized over 300 co-ops. The aim was to organize these centers and train them to operate independently of Self Help. Some efforts have been successful - others have not. Presently we operate 40 centers in the Chicago area with registration of 8,000 inner city residents. We have a number of farm groups that sell directly to these groups with an estimated savings to the members of approximately 40 to 60% on the food bill.

Each center must have a minimum of 50 people for a co-op.

There must be a president, secretary, treasurer and two order takers. One member of the officer's group is a member of the advisory group. Members of the officers group attend training sessions as well as weekly meetings of leaders from the centers. They must also have their own center meeting from time to time.

The cost of individual membership is $5.00 per family and $2.50 per senior citizen or welfare family. This membership is good for one year. Each center must raise money for basic material and equipment (scale, adding machine, bags, tape) and plan activities for its members.

Every newly organized center receives eight hours of training which consists of:

- Learning structure and function of food buying clubs.
- Selecting and weighing produce.
- Accounting and management of food buying clubs.
- Community organization identification and approach to community leadership.
- Conducting meetings/publicity
- Summary (Functions/Operations of food centers.

SHAC's 40 centers pre-order the food. The order taker arranges to take food orders from club members, then orders the food and sees to it that it gets distributed promptly.

SHAC works with approximately 18 farm groups and establishes cooperatives. Each group consists of from 3 to 10 farmers with acreage per farm varying from 2 to 15. Whenever possible food is brought from these farmers. Most of the groups are located in Illinois, Michigan, and Wisconsin. Buying from these small family farmers provide them with an expanded market and increases income.

Recognizing that inner-city grocery stores usually sell poor quality food at exhorbitant prices, SHAC's system on buying directly from farmers, meat processors and other markets, wholesale for the buying club, by-passes

that exploitation. Many benefit farmers struggling to make ends meet, gain higher prices for their produce, and the club members get fresh quality produce at reasonable prices.

The center estimates it saves 30 to 40% on every food dollar in the winter and from 50 to 60% in the summer. In January, SHAC was selling lettuce for 60 cents, while it was selling for 79 cents in the stores. Eggs were selling for $1.08 in the stores and 79 cent per dozen at SHAC.

During the winter, SHAC buys produce from South Water Market, one of the largest chain stores, allowing us to purchase directly from their warehouse. Meats were purchased from a local processor. SHAC sells a total of 109 products which includes fresh fruits and vegetables, meat, poultry, grains and eggs. The center estimates that it saves each family 40% on their food bill.

The Demand for Services

Presently, there is no need to do outreach, in one sense because SHAC now has more people wanting to become part of the center that it can handle. However, last year SHAC received a $15,000 grant from the Mayor's office to recruit 3,000 elderly people and do a six-month survey on their eating habits. The city wanted to determine what their needs were. Within four months SHAC had its 3,000 people. Commissioned to ascertain eating habits and health status of these people, SHAC found startling conditions. Many people, particularly the elderly, lived on as little as $188 a month and no SSI or food stamps. They did not know they were eligible, however staff from the co-ops were able fill out the necessary forms for the seniors.

SHAC has a program for providing food to elderly shut-ins. A cadre of volunteers and college students participating in work-study programs visit these elderly and see to their food needs. Still, it is a never ending struggle.

The winter of 1979 presented incredible delivery problems as well. One woman had not eaten for a week until SHAC volunteers were able to get through the snow-clogged streets. She cried with relief when SHAC arrived. By next year SHAC hopes to get a 4 wheel drive truck to remedy the delivery problem.

SHAC has been trying to negotiate with the city to get an approved apartment in every housing project to use as an office and store for weekly buying club pruchases. This will enable people in the public housing to safely buy food within their neighborhoods.

The Use of CETA Funds

The CETA funding has made it possible for SHAC to hire personnel and without it the organization would not be able to continue to reach out and serve additional people. CETA, cannot offer the kind of salaries that are competitive with the private business sector, therefore SHAC fails to attract professional trained people. This is a disadvantage to the organization and to the people it serves.

SHAC now faces the challenge of developing an administrative capacity commensurate with its growing commitments and complex division of labor.

Fixed income persons are given on-the-job training or work experience. In some cases, working at Self Help is their first employment. This opportunity gives many a spark of motivation and hope reguarding their future. Self Help feels that this is one of the ways in which people can help themselves and keep the welfare rolls down.

Food prices are appallingly high and are getting higher at the wholesale level. Many small family farmers are being compelled to fold up while people in the city are hungry and malnourished.

In a time of serious unemployment with critical hunger and housing problems, Chicago has millions of people who lack the necessities of life, and

who suffer the pangs of poverty, ignorance and disease.

As a non-profit corporation, SHAC works with low-income neighborhood groups and senior citizens to establish and operate food buying co-ops. Through food co-ops people are made aware of their need to work together for better housing and better nutrition. The effect and impact will not be felt without the help of organizations and government. Our efforts thus far have been a matter of sheer determination to survive.

In conclusion, I would like to add that there is no magic mystery in the solutions to the problems in our neighborhoods. The program here at SHAC can be duplicated in any city. It takes collective efforts, funding and a strong commitment to reach the people and to assist them wherever possible.

Mr. ROSENTHAL. I think you wanted to bring up Dolores Johnson and Paul Horvatz to tell more about how your organization functions——

Ms. SHAVERS. Yes.

Mr. ROSENTHAL [continuing]. So why don't we do that right now.

Ms. SHAVERS. Yes; Dolores Johnson, she has prepared a text. She is going to present that, and then Mr. Horvatz will talk later.

OK, thanks again.

Mr. ROSENTHAL. Why don't you stay right there with her.

Ms. Johnson and Mr. Horvatz, slide up so you can all sit together. We want you to sit up there, too, Mr. Horvatz.

STATEMENT OF DOLORES JOHNSON OF SELF HELP ACTION OF CHICAGO; ACCOMPANIED BY PAUL HORVATZ

Ms. JOHNSON. Good morning.

The unprecedented rise in the cost of food and services over the past few years has seriously affected the ability of persons on limited income to continually struggle for survival.

Self Help organization is a nonprofit organization providing cooperative programs of food distribution and nutrition of education to residents of low-income inner-city neighborhoods.

SHAC represents an alternative to a growing, inflationary, monopolistic food distribution system that currently imposes disadvantages on low-income consumers as well as small farmers.

Our program has organized over 300 food co-ops. The aim is to organize these centers and to train them to operate independently of Self Help. Some efforts have been successful, others have not.

Presently, we operate 40 centers in the Chicago area with the registration of 8,000 inner-city residents. We have a number of farm groups that sell directly to these groups with an estimated savings to the members of approximately 40 to 60 percent on their food bill.

Each center has a minimum of 50 people in their co-op.

There must be a president, secretary, treasurer, and two order takers. One member of the officer's group is a member of the advisory board. Members of the officer's group attend training sessions as well as weekly meetings of leaders from the centers.

The cost of individual membership is $5 per family and $2.50 per senior citizen or welfare family. This membership is good for 1 year. Each center must raise money for basic materials and equipment—scales, adding machines, tapes, bags, and also plan activities for its members.

Each newly organized center receives 8 hours of training which includes learning structure and function of food-buying clubs; selecting and weighing produce; accounting and management of food buying; community organization identification, and approaches to community leadership.

SHAC's 40 centers pre-order food. The order taker arranges to take food orders from club members, then the food is ordered and the order taker sees to it that the food gets distributed promptly.

SHAC works with approximately 18 farm groups and establishes cooperatives. Each group consists of 3 to 10 farmers with acreage varying from 2 to 15. Whenever possible, food is bought from these

farmers. Most of the groups are located in Illinois, Michigan, and Wisconsin.

Buying from these small family farmers provides them with an expanded market and increased income.

Recognizing the fact that inner-city grocery stores usually sell poor quality food at exorbitant prices, SHAC's system on buying directly from farmers, meat processors, and other markets, wholesale for the buying club, bypasses that exploitation.

Many benefit farmers struggling to make ends meet, gain higher prices for their produce, and the club members get fresh quality produce at reasonable prices.

The center estimates it saves 30 to 40 percent on every food dollar in the winter and from 50 to 60 percent in the summer. In January, SHAC was selling lettuce for 60 cents while it was selling for 79 cents in the stores. Eggs were selling for $1.08 in the stores and 79 cents per dozen at SHAC.

During the winter months, SHAC buys produce from South Water Market and also from one of the large chain stores. Meats are purchased from a local processor.

SHAC sells a total of 109 products which includes fresh fruits and vegetables, meat, poultry, grains, and eggs. The center estimates that it saves each family an estimate of 40 percent of their food bill.

Presently, there is no need to do outreach in one sense, because SHAC now has more people wanting to become part of its organization than it can handle.

Moreover, last year, SHAC received a $15 per person grant from the mayor's office to recruit elderly people and to do a 6-month survey on their eating habits.

The city wanted to determine what their needs were. Within 4 months, SHAC had its 3,000 people. Commissioned to ascertain eating habits and health status of these people, SHAC found startling conditions. Many people, particularly the elderly, lived on as little as $188 a month and no supplemental income or food stamps.

Many did not know that they were eligible. However, the staff from SHAC was able to fill out the necessary forms.

SHAC has a program for providing food to elderly shut-ins. A group of volunteers and college students participating in a work-study program visit these people and see that their food needs are met.

Still the struggle never ends. The winter of 1979 presented incredible delivery problems. One woman had not eaten for a week until SHAC volunteers were able to get through the snow-clogged streets. She cried with relief as SHAC arrived.

By next year, SHAC hopes to purchase a four-wheel drive truck to remedy the delivery problems.

The CETA funding has made it possible for SHAC to hire personnel, and without it, the organization would not be able to continue to reach out and serve additional people. CETA cannot offer the kind of salaries that are competitive with the private business sector, therefore, SHAC fails to attract professionally trained people. This is a disadvantage to the organization and to the people it serves.

SHAC now faces the challenge of developing an administrative capacity. Fixed-income persons are given on-the-job training or work experience.

In some cases, working at Self Help is their first employment. This opportunity gives many a spark of motivation and hope regarding their future.

Self Help feels that this is one of the ways in which people can help themselves and also keep the welfare rolls down.

Food prices are appallingly high and are getting higher at the wholesale level. Many small family farmers are being compelled to fold up, where many in the cities are forced to go hungry and malnourished.

In a time of serious unemployment with critical hunger and housing problems, Chicago has 1 million people who lack the necessities of life and suffer the pangs of hunger, ignorance, and disease.

As a nonprofit corporation, SHAC works with low-income neighborhood groups and senior citizens to establish and operate food buying co-ops.

Through food co-ops, people are made aware of their need to work together for better housing and better nutrition and better government. The effect and impact will not be felt without the help of organizations and government. Our efforts thus far have been a matter of sheer determination to survive.

In conclusion, I would like to add that there is no magic mystery in the solutions to the problems in our cities. The program here at SHAC can be duplicated in any city. It takes collective efforts, funding, and a strong commitment to reach the people and to assist them wherever possible.

Thank you.

Mr. ROSENTHAL. Mr. Horvatz, do you want to say something?

Mr. HORVATZ. Yes. Honorable Representatives, ladies and gentlemen, my name is Paul Horvatz, founder, organizer, and national president of Self Help Action Center food program.

Many years ago I was watching T.V. and I saw how the American family farmers were burning crops, killing cows, pouring out milk. The next day I took my car and visited these farmers asking them, "Why you do that?"

"What else can we do? Our production cost is higher than income from selling. We have to demonstrate one or the other way our desperate situation to find some solution."

But I say, "What you are doing, you are wrong, is destroying yourself."

"What else can we do?"

"Sell your product to the people with limited income who cannot buy because prices are too high."

"How can we do that?"

And they called together more and more and more farmers. When they were ready and decided to cooperate, I met in Chicago with about 76 community centers, asking them. "Do you have a problem?"

"Yes, we have a food problem. We are hungry and we cannot buy enough food for us to eat. How can we answer this question?"

"Buy direct from the farmers."

Then I asked them, "Can we organize in Chicago," family farmers, "good exhibition that people can see with their own eyes what exactly we are doing."

Mr. ROSENTHAL. Is this how you are getting along by buying collectively and distributing collectively?

Mr. HORVATZ. Right.

Mr. ROSENTHAL. How are things going?

Mr. HORVATZ. And after people learn that quality is higher than at the stores, and priced so much lower, they start showing interest. But then they say "No more food exhibition at your community, you have to organize yourself into community buying club."

Mr. ROSENTHAL. Mr. Horvatz, let me ask you because we have a record that we are trying to make and accommodate an awful lot of people: How are things going lately in the last 3 months, the last 6 months?

Mr. HORVATZ. It is going better and better, but many times I learn a club was formed with 700 members or more and then went down. Why? Lack of leadership.

Then we turn to Chicago City Loop College to train the leadership, but still better, but not the best because the demand was so heavy that we have to have more staff to send them out to help people organize themselves.

Mr. ROSENTHAL. More and more people want to participate in your program?

Mr. HORVATZ. Right, demand is very heavy.

Mr. ROSENTHAL. Why is that?

Mr. HORVATZ. Because people on public payroll and welfare, they cannot buy enough food for themselves, and senior citizens and many others.

Mr. ROSENTHAL. Why is that?

Mr. HORVATZ. Because of inflation.

Mr. ROSENTHAL. Well, that is what we are trying to find out. Go ahead.

Mr. HORVATZ. In the other hand, according to agriculture statistics, we have in the last 10 years, lost over 12 million family farmers; they couldn't stay anymore with the farms, left the farms, looked in the city asking for jobs and welfare, whatever they have to take.

Through our program they can return back to the farm, work, stay in the farming business, and they work.

Mr. CONYERS. I have only one question. I love this program and I would like to see it started in Detroit.

Mr. HORVATZ. Very happy to do that.

Mr. CONYERS. Are you suggesting that if all of us start buying food from the co-ops and we have a hundred million people buying food from the co-ops, is that the answer to inflation in the food prices?

Mr. HORVATZ. Right.

Mr. CONYERS. Right?

Mr. HORVATZ. Here we are helping——

Mr. CONYERS. I am not trying to minimize the program, but we have to look at some of the big problems here.

Mr. HORVATZ. Here we are helping three groups: Family farmers to stay in business, and people to have enough income to buy food with their checks, and the taxpayers.

Mr. ROSENTHAL. OK, thank you all very much.

This is very, very useful and very, very important testimony, and I want to tell you on behalf of the subcommittee, and I'm sure Mr.

Murphy too, you are to be congratulated for the leadership role you have been shown in trying to help our citizens.

Mr. HORVATZ. Thank you.

Mr. ROSENTHAL. Thank you very, very much.

Our next witnesses are Alfred Lewis, and I think it is Lela Drain.

Mr. Lewis, Ms. Drain, come up, please. We are very delighted to have both of you to be with us.

STATEMENT OF LELA DRAIN, RESIDENT OF CHICAGO

Ms. DRAIN. Good morning everybody. I just want to say that I got burned out on the 23rd day of December early in the morning, and everything I had got burned up and messed up, and so I had a hard time all the winter.

I didn't have no place to live until a friend of mine asked me over to stay with her. And then I got me a place by my friend working here, got me a place, spoke for me a place in the senior citizen home at 51st and Cottage Grove.

Now, I pay $176 a month, and I am a diabetic, I have to go to the doctor, and I don't go to the doctor as often as I am supposed to go because I don't have the money.

Mr. CONYERS. How much does it cost when you go to the doctor?

Ms. DRAIN. The fee is $16.

Mr. CONYERS. Does medicare or medicaid cover any of that?

Ms. DRAIN. No.

Mr. CONYERS. Why not?

Ms. DRAIN. I don't know why. I get medicare, but that is all. I have to be in the hospital to get someone to get them to pay my bill.

As I go every other week—well, I have to pay that out of my pocket.

Mr. ROSENTHAL. How are you getting along otherwise?

Ms. DRAIN. Well, otherwise I am not doing so hot because my income is only around about a little over $400 a month.

Mr. ROSENTHAL. How do you get by?

Ms. DRAIN. You have to get by some kind of way, just go on and get by, that is all.

Mr. CONYERS. How do you handle the food, what are your bills?

Ms. DRAIN. How do I handle the food situation? Well, I buy most of my food from here. I do because I just have myself to feed and I can always make out with things.

Mr. ROSENTHAL. Mr. Lewis.

STATEMENT BY ALFRED LEWIS, MEMBER, ADVISORY COMMITTEE BOARD OF SELF HELP

Mr. LEWIS. My name is Alfred Lewis, and I happen to be part of the advisory committee board here at Self Help.

I was asked to testify—I didn't come down here to testify, but I have been around Chicago an awful long time, and I have seen many changes and things of this sort, and I guess you would have to write a book about as to all the problems.

But what I would like to do, I would like to stress the point of trying to get Mrs. Dorothy Shavers, who is the president of this organi-

zation, to get her more support to do the things that are necessary to be done in this area, such as helping people help themselves.

Now, our problem, as you know, is not just one thing, just food; gasoline prices have soared here just recently, and I can't myself, see any big reason for this other than just more or less keep the people confused.

I was listening to the radio the other day about out in California. I have a daughter out in California, and she said gas is about $1, $1.09; they got a line, you know, blocks and blocks. It doesn't make sense.

And then here, right here on the south side, a guy was selling gasoine for 13½ cents a gallon. I mean, to me, it is a confusing situation.

Mr. ROSENTHAL. 13½ cents a gallon?

Mr. LEWIS. Well, let's forget the ½ and say 13.

Mr. CONYERS. Well, that was only for 1 minute.

Mr. ROSENTHAL. That was, when he was out of gas he was selling it for 13; when he had gas, it was 99 cents a gallon. [Laughter.]

Mr. LEWIS. Well, I'm glad you brought that up. You see, I feel that someone is playing games with food.

I am a professional musician so I see—I was born practically in the region called the "Dirty 30's," a poor neighborhood, really. But I have worked all the big houses, and I see more food wasted every night, and it hurts.

You see what I'm saying? They have the food, but it is not getting to the right places, to the needy people.

Dorothy Shavers and Mr. Horvatz, they have a beautiful program, and all I'm saying is, I think they should get more civic and government support in order to bring this food to people that actually need it.

I am not saying bring it to the rich, or anything like that; they don't need it. But get it to the places where it is most needed.

Mr. CONYERS. If you had to go before the Congress and advise us how to change the laws, change the system, what would you tell us?

I mean, you have seen all this stuff for 40 years, now is your chance because, in effect, we are taking this all back to our colleagues.

Mr. LEWIS. Well, I don't know; that is a good question.

Mr. CONYERS. Well, that is what we are here for.

Mr. LEWIS. Yes.

Mr. CONYERS. I mean, there are two things that Mr. Rosenthal and Mr. Murphy and I want to know: One, how bad is it, and, two, what should we do about it? That is the whole thing.

Mr. LEWIS. OK; I will tell you what I think we should do about it.

Now, I think that if you believe, and I am saying all of you gentlemen up there, if you actually believe that this lady is conducting a service that is most needed, I think you should support it, and I think that you should encourage these sort of organizations all over other cities and let it grow; you know what I mean.

We have many things here to keep us from growing. I mean, hey, this comes naturally. We have only been in this building just a little while. We have been broken into, how many times, three, four times. There is always something to stop us.

And what we are saying is, try to help us, give us Government support. Do you see what I mean?

Mr. CONYERS. Have you applied anywhere? When is the last time you talked with my three friends here: Cardiss Collins, Morgan Murphy, and Ben Stewart?

Mr. LEWIS. Well, I am pretty sure those gentlemen, they have other things to do, too, you know what I mean. Our cries are every day.

Mr. CONYERS. Wait a minute. If you think I and Rosenthal came out here to hear you say they have other things to do, and you are telling us what to do, you have to see them, they are the ones that represent you specifically.

You can't come here and tell me we ought to get more help out, but you don't check with them because they are busy.

Ms. SHAVERS. I think I have submitted a proposal to Benny Stewart.

Mr. ROSENTHAL. Give me a copy, too.

Mr. CONYERS. Send Cardiss one; she is only chairwoman of the Congressional Black Caucus.

Ms. SHAVERS. I sure will.

Mr. LEWIS. This is very good.

I think while we have everybody in the House under the same roof, maybe we ought to submit our proposal now for our needs.

Mr. CONYERS. So give us some advice.

Mr. LEWIS. Well, we want help and you are the only people that can help us. So we are just crying for help; that's all.

Mr. MURPHY. Dorothy mentioned you need a pickup truck, No. 1.

Mr. LEWIS. Well, we can use several trucks. Already we have outgrown this building, and we have been here for 4 months, and already out grown it.

Mr. CONYERS. We have to talk beyond this organization. Now, we have praised you and we have told you how great you were, but this hearing is on inflation. That affects everybody in the United States of America.

Chicago isn't the only place getting hit by inflation. So what we need are some solutions that you can also apply in New York and in Detroit, if you don't mind.

Mr. LEWIS. OK, sir, I will say this very briefly.

What Dorothy Shavers is doing, I do believe is a very beautiful thing; I think it will help everybody that needs help.

Do you agree with me?

OK. Now, all I ask is those who can help—I am talking about the Government, the city government, too—all we want, we need money, yes, we need trucks and that, but we need, more than that, we need money, we need room for expansion, we need to put this program in all of the States.

If you help us do that, I think we would appreciate it, and I think the people, the recipients, I think, would appreciate it.

Mr. ROSENTHAL. Thank you very, very much. We appreciate your testimony. It will be useful.

Our next witness is Mary Mays. Miss Mays, is she here, Dorothy?

Ms. SHAVERS. Not yet.

Mr. ROSENTHAL. The next witness will be two Government witnesses that are on our list, Mr. William Rice and Mr. Lindell Williams.

Mr. Rice is the Regional Commissioner of the Bureau of Labor Statistics. Mr. Williams is from the Central Enforcement District,

Department of Energy, and he will tell us what the price situation is around here, and why.

Who is Mr. Rice?

Mr. RICE. I am Mr. Rice.

Mr. ROSENTHAL. Where is Mr. Williams? Is he here? Come on up.

We were in Dallas on last Thursday, and regular gasoline in Dallas was 71.5. Are you aware of those things?

Mr. WILLIAMS. Gasoline was 71.5?

Mr. ROSENTHAL. Yes.

Mr. WILLIAMS. No, I wasn't aware of that figure.

Mr. ROSENTHAL. How much is it around here in Chicago?

Mr. WILLIAMS. It ranges from about 80 cents to close to a dollar.

Mr. ROSENTHAL. Please proceed, Mr. Rice.

STATEMENT OF WILLIAM E. RICE, REGIONAL COMMISSIONER, BUREAU OF LABOR STATISTICS, REGION V, DEPARTMENT OF LABOR

Mr. RICE. Thank you. Chairman Rosenthal and members of the committee, I would like to sort of highlight some of the things I'm sure that you have heard in Detroit, and some of the other cities from the Bureau of Labor Statistics.

As you mentioned, I am commissioner over six States. I'm sorry I didn't have an opportunity to talk with you in Detroit.

But essentially what I present here in the papers that I passed out is the same information I believe you received in Detroit, comparing the city of Detroit with the Nation as a whole, as well as Chicago today with the Nation as a whole.

Living costs in Chicago are slightly higher than the urban United States at two budget levels, and slightly lower at the higher budget levels. You are familiar with those standard budgets that we published that give a comparative cost for 39 cities across the country.

The relative importance of two or three major categories, food, beverages, and housing is greater in Chicago than nationally. Since 1967 the long-term rate of inflation has been lower in Chicago than in the Nation, largely because the cost of housing has increased less. But recently, since January 1978, the rate in Chicago has increased to the extent that has brought it closer to the national level.

Mr. ROSENTHAL. What is the rate of inflation in Chicago for January, February, and March of this year?

Mr. RICE. For the 3 months? Well, you would annualize 3 months, which I don't like to do, you are talking about——

Mr. ROSENTHAL. Annualize it, yes.

Mr. RICE. You are talking about approximately 12, 13 percent.

Mr. ROSENTHAL. Yes, 12 or 13 percent, is that the highest it has ever been in Chicago?

Mr. RICE. Since 1974.

Mr. ROSENTHAL. Do you have any statistics for April yet?

Mr. RICE. No; the information for April will be released around the 25th of this month. We hopefully publish a date prior to release so there will be no doubt in anyone's mind in terms of whether or not we are holding information, releasing it or the reasons.

Mr. ROSENTHAL. Are you doing that?

Mr. RICE. Yes; we are, as close as we can. We might miss 1 day.

Mr. ROSENTHAL. Tell us how you gather your information, how accurate it is, how dependable it is?

Mr. RICE. We basically have a probability sample across the Nation. I must admit that the sample is not designed for city/sub-city area information, which I happen to think would be a very good thing.

Forgetting about cross benefits, regardless, I think that is why you are holding the hearings here. We can't distinguish between suburbia and the city of Chicago, and obviously the testimony as indicated, it seems the prices in Chicago seem to be higher.

We have no evidence that that is the fact, but it seems to me a bit of research should be done in that area. Hopefully you will be able to make the recommendations to the Bureau, since we simply carry out the edicts of Congress.

Mr. ROSENTHAL. Well we drove out from the airport this morning and gasoline prices in this immediate area were 10 cents a gallon higher than closer to the airport. In other words, South Side prices seem to be higher than out that way.

Mr. RICE. Well, I might say—what I am really saying is that we have trends to average the whole area for six counties.

Mr. ROSENTHAL. The information you are giving us is for 6 counties, nothing for Chicago itself?

Mr. RICE. That is right.

Mr. ROSENTHAL. So we have no way of knowing whether certain segments of the society are paying higher prices than the others?

Mr. RICE. That is true.

Mr. CONYERS. Well, do we need to pass a law to correct that or couldn't we just call up the Director of the Bureau of Statistics and say, "Look, let's call the regional people, your regional man in V says we ought to break it out and so do we.

Mr. RICE. Well, it is a bit more difficult in methodology than simply breaking it out. You are talking about——

Mr. CONYERS. Well, change the methodology and everything that goes with it.

What I am suggesting is, do you know offhand how you get this corrected?

Mr. RICE. We know how to do it, it is just a matter of how much money would have to be spent. You are talking about 4 or 5 times the cost of the current CPI, so you are really asking for sub-area estimates.

On the other hand, how far do you really want to go? This is sort of looking at it like you do unemployment.

Teenage unemployment is 40 percent—seems to me it is 40 to 50 percent, depends on the area, 50 percent for black teenagers in the city of Chicago.

Mr. CONYERS. Fifty percent——

Mr. RICE. Yes; we do have that information.

Mr. CONYERS. That is reported. The real unemployment rate could be higher, isn't that true?

Mr. RICE. Well, that is because of the whole concept of the discouraged worker and what have you. It could be higher.

Mr. MURPHY. Could I interrupt at this point.

One of the reasons is the minimum wage law, is it not; a lot of these younsters could be hired on a part-time basis but because the prospective employer is faced with a minimum wage requirement and it is strictly enforced in this area, he tends to go without a young teenage worker?

Mr. RICE. Well, there are many studies around, but the evidence is not conclusive. It was done by the Bureau about 6 years ago and there is some relationship, but to what extent, we don't know.

The placement of jobs and the minimum wage, I'm not sure there is—I am almost sure there isn't any real studies done to justify your summation.

Mr. MURPHY. A good friend of mine went to automation and laid off 25 youngsters because he couldn't afford the wages that the Department of Labor wanted him to pay.

Mr. RICE. I think we need some research to really find out what impact minimum wage might have to unemployment.

There is no information in this country that I know of.

Mr. CONYERS. Well, the people that are switching to improved technology don't care what the minimum wage is, they are going to switch if it were a buck an hour because the machines can outproduce human beings.

We have only been with that problem since the beginning of civilization. But let's get back to the point by the chairman of this subcommittee.

Wouldn't it be worthwhile us knowing the Chicago and the Detroit figures without blending them all in with the suburbs which have essentially different figures and which always underreports the nature of the problems that we are trying to understand so that we can pass adequate laws?

Mr. RICE. Well, it doesn't totally obscure; the fact is the sampling is pretty much proportionate to the population both inside and outside.

I think you are asking me something quite different.

Mr. ROSENTHAL. It doesn't give an accurate picture, though.

When a food chain moves out of the central city and goes to the suburbs, they don't blend those profits in.

Mr. CONYERS. And when the gas pumps are 10 cents less in the suburbs than they are here, how are we going to figure it out?

Mr. RICE. Well, I am not saying I disagree with you, it seems to me it is a matter of resources and the Congress deciding——

Mr. ROSENTHAL. Forget the resources.

From a professional point of view it could be done in smaller units?

Mr. RICE. Certainly, it would certainly show differentials between prices between the city and the suburb. At this point you cannot tell.

Mr. CONYERS. Has somebody told you that we don't have the resources for that?

Mr. RICE. I know the statistician sample, you would have the standard error until it would be almost useless even at the national level.

The city level now annualized, you are talking about plus or minus 10 percent. So that would be lost in the standard of the estimate itself. So the sample has to be substantial to have any kind of reliable estimate.

As a professional, that is what I am saying.

Mr. CONYERS. Yes, well, but you are also saying you don't know if we have the money.

Mr. RICE. I am sure we don't have the money, the Bureau doesn't have the money.

Mr. CONYERS. Well, the Bureau gets the money from us.

Mr. RICE. We are waiting for your recommendations, Congressman.

Mr. CONYERS. Yes, but if we don't get the encouragement from you to do this, you are the expert. We have got the money.

Now, if you want to dance we will give you the money, if you don't want to do it——

Mr. RICE. I am——

Mr. CONYERS. Hold it, just a moment, sir, don't come here telling us that you don't have the money, we can go back and vote the money but we have got to know the nature of the problem.

I mean, I can't get up and say "Double the Bureau of Labor Statistics' money," and they say, "What's the problem?"

And I say, "I don't know; Rice said to double it and doesn't bother to tell us."

We need to know what the big cities are hit with by inflation because it is critical to everything we do.

We pass a law, if we are passing it on the suburbs, suburban prices, suburban unemployment, suburban gas, we get a seriously distorted figure.

And then the people when we pass the CETA bill, they say you don't need it, there is enough kids working and they don't need any more job training programs, or we don't need to ration gas because gas is pretty cheap.

We get a very seriously distorted picture, so I think what you are saying is very important to the subcommittee and members of the Congress and I think you are on the right track, so amplify.

Mr. RICE. Well, I don't know just where I go from here other than saying that I think the Bureau at this point after the CETA legislation is really committed to local data needs.

I think historically the Bureau has been primarily serving national purposes, The Joint Economic Committee, the Council of Economic Advisors, we have taken departure in the past historically of dealing with input into broad national economic policy.

I guess what we are really saying is that the Bureau would like to get into finding local data needs for implementation of programs within areas that we have here today.

Mr. CONYERS. Well, what about the unemployment statistics?

Mr. RICE. It is very analogous to what we are talking about for prices as well.

Mr. CONYERS. Tell us how they are computed?

Mr. RICE. You have two systems, a national system based on household surveys. There are 55,000 households visited each month which provides an estimate for the national unemployment, including characteristics by race, by sex, and what have you.

Mr. CONYERS. On what basis?

Mr. RICE. From a household sampling of 55,000.

Mr. CONYERS. Yes, but on what basis are the 55,000 households drawn?

Mr. RICE. They are drawn to produce a plus or minus 1 percent national error.

Mr. CONYERS. But I mean, how do you decide which 55,000 houses to go to, Mr. Director? Do you just walk out here and hit the first 55,000?

Mr. RICE. No, this is all random, selected on a probability sample.

Mr. CONYERS. Well, that is what I am trying to get to.

Mr. RICE. I thought I mentioned that; I am sorry, sir.

Mr CONYERS. Describe it. Even if I knew it, everybody here doesn't know it.

Mr. RICE. The national sample is a probability sample of 55,000 random households.

Mr. CONYERS. All right. Now, how do you randomly decide to hit 55,000 houses?

Mr. RICE. Well, first we start with the——

Mr. CONYERS. I was talking to the chairman, not to you. I was talking to the chairman.

Mr. RICE. Yes, sir.

Well, I think it is very detailed. If you want me to go into it as well as I understand it——

Mr. CONYERS. Yes, I want you to go into it. How do you pick 55,000 houses out of 10 million houses around here? That is what I want to know. We need to know it.

A VOICE. How come you don't pick my house.

Mr. CONYERS. That is your job.

Mr. RICE. Yes; I know it is.

Mr. CONYERS. Come on, Rice, quit playing around, this is serious stuff.

Mr. RICE. Well, I hope I am not playing. I am trying to decide—it gets to be kind of complicated.

It is actually selected by the Census Bureau for us using street directories and the number of structures. And from that point, whatever the ratio for that particular block, based on population, determines the number of quotations you have to have. Then that is where we really start.

Mr. CONYERS. Well, that isn't so hard. In other words, you look up in the phone book and the cross index, and you pick 55,000 houses.

Mr. RICE. Not from the telephone book.

Mr. CONYERS. From what?

Mr. RICE. Usually from MacDonalds Directory of——

Mr. CONYERS. The cross index.

Mr. RICE. Right.

Mr. CONYERS. What is so tough about that?

Mr. RICE. I don't think it is impossible; I am just stating——

Mr. CONYERS. Impossible, it is simple.

Mr. RICE [continuing]. I think it should be done.

What you are talking about, I think you are talking about one-half million observations each month rather than 50,000. I think that is what you are talking about.

Mr. ROSENTHAL. He is talking about, is the accounting system fair to all segments of our society?

Mr. RICE. No; it is not.

Mr. ROSENTHAL. It is not. He is assuming you are an expert and he would like you to tell us in what way it is not and how it can be improved and what we can do about it.

Mr. RICE. I think there are alternate methods. I don't think you should use the current population survey for the type of information we are trying to get to for local areas.

I think there is a wealth of information available at the State level and certainly through the unemployment insurance claims as a base, looking at some of the characteristics of those people that tend to file unemployment insurance claims at the employment services as a basis.

Mr. ROSENTHAL. You are going too fast even for this lady who has had a lot of experience. Has Conyers got you nervous?

Mr. RICE. No; every time the lights go on I get nervous. It is sort of a normal kind of reaction.

I just hope I can answer your question, that is all.

Mr. ROSENTHAL. You go by the census figures, the census undercounts a lot of people.

Mr. CONYERS. Blacks, minorities, Mexicans, that is pretty well known, isn't it?

Mr. MURPHY. The University of Chicago in the last census thought that there was an undecount of either 300,000 or 400,000 minorities in the city of Chicago.

Now, all our Federal programs depend on a reliable count of the population, particularly minorities. If we don't get a good count, then the people are getting cheated.

Mr. ROSENTHAL. They are using those figures both in terms of price statistics, unemployment statistics, housing statistics——

Mr. MURPHY. Everything. Probably the most important thing coming up in 1980 will be the census.

Mr. CONYERS. A real head count.

Mr. MURPHY. Real head count.

Mr. ROSENTHAL. It will affect the number of Congressmen, too.

Mr. MURPHY. We will get to everything.

Mr. ROSENTHAL. Hopefully, we will get to everybody.

Mr. RICE. The number of persons that have been not counted so far are actually, I think, 18 percent from the 1970 census, about 18 percent undercount from the 1970 census.

Mr. ROSENTHAL. Well, I think we are going to have to come back and find out how you do it better. Most of us are not statisticians, we don't understand these things.

We are hoping in Congress that people like you can tell us what is wrong and how it is corrected, and maybe we can help try and appropriate the money that is necessary.

Mr. CONYERS. You know, Commissioner Rice, for the last 10 years the Bureau of Labor Statistics has continued to obscure their method of counting the unemployed deliberately at the Washington level—no reflection on you.

I mean they come in, they say, "We are going to have a larger plan, it will be more growth, less refined, and we keep getting a less accurate picture of a problem we have got to know more and more about."

Mr. RICE. Well, I don't think it is intentional, I think it is in terms of the Bureau's as it seems its objectives, and this is a long time ago.

It goes back to the Gordon report and how you define unemployment, and we are trying to measure whether it is right or wrong.

Mr. CONYERS. If you can convince me that this isn't deliberate, I will be the most changed, reformed Member of Congress in the whole body.

I mean, if you can suggest to me that during the Nixon administration, during the Johnson administration, during the Ford administration that they have not deliberately continued to obfuscate the manner in which they collect these vital statistics, if you can say that was not deliberate and prove it to me, I will come back to the Self-Help Action of Chicago and confess error, apologize publicly, and never talk like this again to a bureaucrat.

Mr. RICE. Congressman, are you talking about the actual collection of information, or are you talking about the interpretation and presentation of it?

Mr. CONYERS. I am talking about the methodology, and that is where it is all locked up, and how to do it.

And when you are going to a cross index across a metropolitan area checking out x number of thousands of households and not checking what it is like on the south side of Chicago for unemployment, you never can get the right figure because we know that the black unemployment rate, everybody knows it, is twice as large as the general rate.

You can either consent or disagree to that statement, everybody else knows it.

Mr. RICE. I know it is true, I agree with you. I'm not disagreeing at all.

Mr. CONYERS. OK; I want it on the record.

[Mr. Rice's prepared statement follows:]

TESTIMONY
TO
COMMERCE, CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE
OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES

WILLIAM E. RICE
REGIONAL COMMISSIONER
BUREAU OF LABOR STATISTICS, REGION V

Chicago, Illinois
May 11, 1979

Chairman Rosenthal and members of the subcommittee, I will try in the short time allotted to review the cost of living situation in the Chicago-Northwestern Indiana area by presenting data from some of the Bureau's measures of prices and family expenditure. Some of the material will be a repeat of what Mr. Fischer presented to the committee in Detroit on Monday, but I am repeating it for the benefit of those who were not in Detroit.

Let us first examine the BLS family budget series which is an estimate of living costs in selected areas. These living costs are based on hypothetical budgets for a family of 4 persons at each of three levels of living and the cost of goods and services specified for each budget. As you can see in table 1, living costs in the Chicago area at the lower and intermediate budget levels are very slightly higher than the urban U. S. average but lower at the higher budget level. Compared with 39 metropolitan areas, costs in Chicago at the lower and intermediate levels remain close to the average but at the higher budget the difference widens.

Now, I will turn to the Consumer Price Index, which is the most widely used measure of the rate of inflation. Specifically, the Consumer Price Index (or CPI) is a measure of the average change in prices of a fixed market basket of goods and services. In January 1978, the Bureau began publishing CPI's for two population groups: (1) a new CPI for All Urban Consumers which covers about 80 percent of the urban non-institutional population and (2) a revised CPI for Urban Wage Earners and Clerical Workers which covers about half of the pop[illegible]red by the All Urban CPI. This morning I will be referring to [illegible]ll Urban CPI for comparison of price changes in Chicago wi[illegible] as a whole.

An important aspect of the CPI is the weight assigned to various items. The relative importance or weight of items in the CPI is based on a 1972-73 Consumer Expenditure Survey that determined what people buy. The relative importance for the 1972-73 survey period has been updated by subsequent price changes. Table 2 shows the relative importance or weight of the seven major categories that make up the CPI. In Chicago, and in the U. S. city average, housing has a weight of about two fifths of the index; food and beverages, and transportation each account for about one fifth and the remaining four categories account for the remaining one fifth. Two of the three major categories, food and transportation, have greater weight than nationally, in the Chicago area. The relative importance of categories for a given area can significantly affect the movement of the index in that area. As an illustration, let us assume a set of conditions which admittedly are not likely to occur. If the cost of transportation, and food and beverages rose at the same rate in all areas while the cost of all other categories remained unchanged the All Items CPI for Chicago would rise more than the U. S. average. Under the same conditions for housing the increase would be less for Chicago.

Over the period from 1967 to January 1978, the rate of inflation in Chicago was lower than the average for the U. S., 82.5 percent compared with 87.2 percent. (Table 4). This can be attributed to a substantially lower increase in the cost of housing in Chicago since the rate of increase in Chicago for the two other major categories food and beverages, and transportation and three of the four less important categories were higher than the U. S. rate.

Changes in the Chicago area and the U. S. CPI's from January 1978 to March 1979 have brought the long run inflation rate in Chicago close to the U. S. rate. This again is the result of housing which has gone from a lower than national rate to a higher one, as shown in chart 1. The increase in food and beverages, and transportation costs during this period dropped below the U. S. rate but this was not enough to offset the substantial rise in housing costs.

Finally, Chicago is a relatively higher wage area compared with the average for 262 metropolitan areas in the U. S. This can be seen in table 6 which shows Chicago higher than the average for four broad occupational groups but not as much higher as the committee saw for Detroit. As shown in chart 2, earnings in Chicago have risen since 1970. Gross weekly earnings of manufacturing workers have increased about 80 percent during that period. But real spendable earnings or gross earnings adjusted for federal and state income taxes, social security deductions, and the decrease in purchasing power due to the rise in prices as measured by the CPI, have increased only 9 percent. To put it another way, in 1970 the average worker's real spendable earnings were almost three quarters of his gross earnings; in 1978 they had dropped to about two fifths, as the loss of purchasing power consumed two fifths and taxes one fifth of gross earnings.

To summarize what I have presented, living costs in the Chicago area as indicated in the BLS family budgets are slightly higher than the U. S. urban average for two of the budget levels and slightly lower for the higher budget level; the long run rate of inflation,

as measured by the CPI, is below the national rate but not as much below as in January 1978; and the increase in real spendable earnings has not kept pace with the increase in gross earnings.

Now, if you have any questions, I will be glad to try to answer them.

Table 1. Indexes Of Comparative Costs Based On Three Budget Levels - Autumn 1978

	Lower Budget	Intermediate Budget	Higher Budget
Urban U. S.	100 ($11,546)	100 ($18,622)	100 ($27,420)
Metropolitan Areas	101	102	103
Chicago (SCSA)	102	101	99

Table 2. Relative Importance, Consumer Price Index, All Urban Consumers - December 1977

	All Items	Food & Beverages	Housing	Apparel & Upkeep	Transportation	Medical care	Entertainment	Other Goods & Services
U. S.	100	18.8	43.9	5.8	18.0	5.0	4.1	4.4
Chicago (SCSA)	100	19.8	41.3	5.9	19.4	4.8	4.2	4.7

Table 3. Percent Change, Consumer Price Index, All Urban Consumers, December to December

Year Ending December	U. S.	Chicago (SCSA)
1967	3.0	3.1
1968	4.7	4.5
1969	6.1	6.0
1970	5.5	5.6
1971	3.4	2.6
1972	3.4	3.1
1973	8.8	8.5
1974	12.2	12.0
1975	7.0	5.3
1976	4.8	4.8
1977	6.8	6.4
1978	9.0	10.3

Table 4. Percent Change Consumer Price Index, All Urban Consumers - 1967 to January 1978

	All Items	Food & Beverages	Housing	Apparel & Upkeep	Transportation	Medical care	Entertainment	Other Goods & Services
U. S.	87.2	94.6	93.8	55.7	79.0	111.2	71.9	78.5
Chicago (SCSA)	82.5	97.6	79.1	40.6	82.7	115.9	73.8	81.9

Table 5. Percent Change Consumer Price Index, All Urban Consumers - 1967 to March 1979

	All Items	Food & Beverages	Housing	Apparel & Upkeep	Transportation	Medical care	Entertainment	Other Goods & Services
U. S.	109.1	124.4	117.6	64.3	98.1	133.9	84.8	92.8
Chicago (SCSA)	106.6	126.6	109.1	49.2	100.4	134.2	90.4	94.2

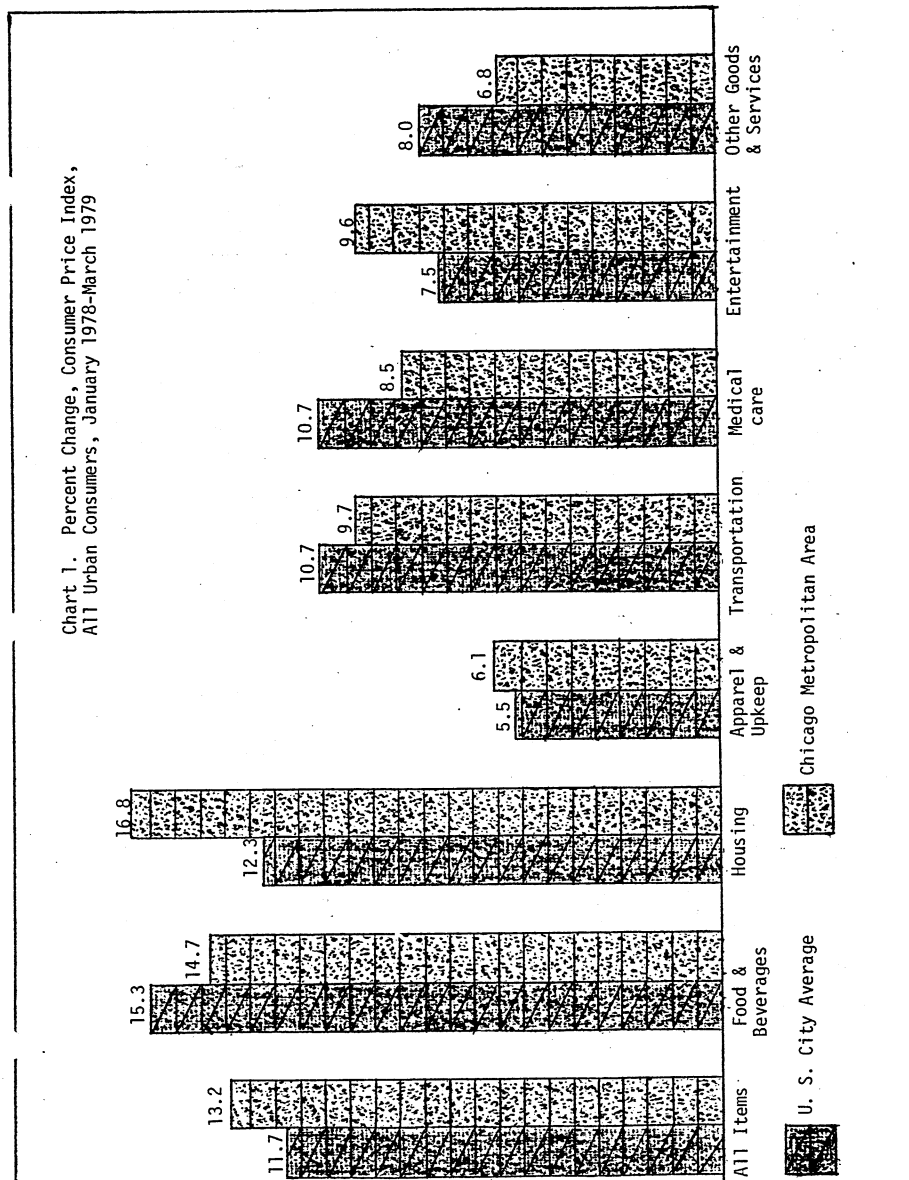
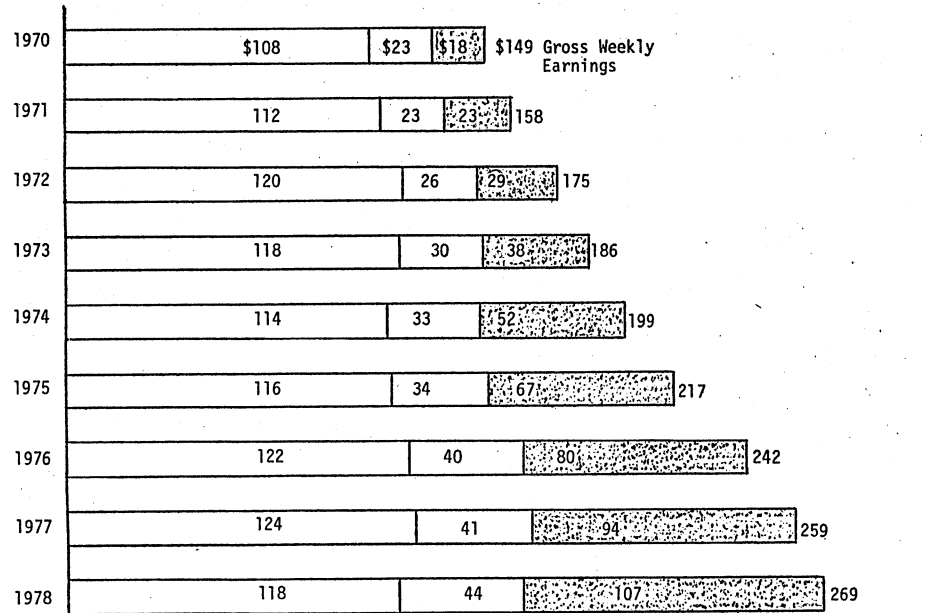


Chart 1. Percent Change, Consumer Price Index,
All Urban Consumers, January 1978-March 1979
Per cent
0
5
10
15
11.7
13.2
15.3
14.7
16.8
12.3
5.5
6.1
10.7
9.7
10.7
8.5
7.5
9.6
8.0
6.8
All Items
Food & Beverages
Housing
Apparel & Upkeep
Transportation
Medical care
Entertainment
Other Goods & Services
U. S. City Average
Chicago Metropolitan Area

Table 6. Chicago Metropolitan Area Pay Level Relative To Average For 262 Areas In The U. S., 1977

	Office Clerical	Computer Related	Skilled Maintenance	Unskilled Plant
U. S.	100	100	100	100
Chicago (SCSA)	105	102	107	119

Chart 2. Real Spendable Earnings Of Production Workers On Manufacturing Payrolls, Chicago Metropolitan Area, 1970-78



Consumer Price Indexes

MARCH 1979

(1967=100 unless otherwise specified)	CHICAGO			U. S. CITY AVERAGE		
	ALL URBAN CONSUMERS			U. S. ALL URBAN CONSUMERS		
GROUP		Percent change from 1 year ago	Percent change from 1 month ago		Percent change from 1 year ago	Percent change from 1 month ago
ALL ITEMS	206.6	10.9	2.0	209.1	10.2	1.0
ALL ITEMS (1957-59=100)	234.4			243.2		
FOOD AND BEVERAGES	226.6	12.0	1.3	224.4	12.5	.9
Food	232.7	12.4	1.3	230.4	12.8	1.0
Food at home	232.4	13.3	.6	229.9	13.5	.8
Cereals and bakery prod	216.4	9.5	.7	213.5	9.8	.6
Meats, pltry.fish, eggs	244.0	21.0	1.9	237.0	22.7	2.0
Meats, pltry., fish	248.9	20.9	1.7	241.7	23.3	2.2
Dairy products	200.9	15.4	.1	201.5	12.4	.4
Fruits and vegetables	229.8	8.3	-1.5	225.9	10.8	-.3
Other foods at home	264.5	6.5	.0	262.4	5.8	.2
Food away from home	235.9	10.8	2.9	236.0	11.2	1.1
Alcoholic beverages	165.1	5.4	1.5	169.2	8.1	.9
HOUSING	209.1	12.8	2.9	217.6	10.6	.9
Shelter	221.0	14.7	3.4	228.0	12.4	.9
Rent, residential	157.2	7.2	.7	171.3	6.7	.2
Other rental costs	223.6	12.8	4.6	226.3	12.0	.7
Homeownership	249.5	17.1	4.2	248.2	13.7	1.1
Fuel & other utilities	204.2	8.3	2.8	225.9	6.3	1.2
Fuels	247.9	11.6	3.9	264.0	9.0	1.8
Oil,coal & botl.gas	331.6	14.0	2.9	339.5	14.2	4.1
Gas (piped) & elect'y	228.1	11.3	4.0	244.0	7.7	1.2
Hsehld.furnish & oper	178.8	8.8	1.0	187.4	7.9	.8
APPAREL AND UPKEEP	149.2	4.6	2.4	164.3	5.0	1.8
Apparel commodities	142.1	3.0	2.6	159.2	4.2	1.9
Men's and boys'	126.5	-2.9	2.8	158.7	1.9	1.3
Women's and girls'	139.0	6.4	3.3	151.8	4.4	2.8
Infants' and toddlers	NA	NA	NA	216.1	1.1	1.1
Footwear	165.0	7.1	.5	171.6	6.8	1.6
TRANSPORTATION	200.4	9.7	1.0	198.1	10.1	1.3
Private	201.5	10.7	1.1	198.1	10.6	1.3
Public	186.3	-.4	.2	191.5	2.3	.4
MEDICAL CARE	234.2	7.6	.2	233.9	9.0	.6
ENTERTAINMENT	190.4	8.7	1.9	184.8	6.1	.9
OTHER GOODS & SERVICES	194.2	7.4	1.3	192.8	7.5	.5
sonal care	186.4	7.4	3.2	192.1	7.8	.9
Commodities	200.2	10.9	2.0	200.5	10.4	1.1
Nondrbls.(less fd.&bev)	180.5	9.0	2.6	187.8	8.7	2.0
Durables	184.3	11.4	2.2	184.9	9.9	.7
Services	218.2	11.0	2.0	225.1	9.9	.8
Medical care services	257.6	8.2	.1	251.8	9.5	.6

NEWS

U.S. DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

FOR RELEASE
8:00 a. m. CST
Thursday, April 26, 1979

NOTE RELEASE EMBARGO

230 South Dearborn St., 9th Floor
Chicago, Ill. 60604-(312)353-1880

Reference this release call 353-1138

CHICAGO CONSUMER PRICES RISE 2.0 PERCENT

Average prices paid by consumers in the Chicago area rose 2.0 percent in March, as reported today by the U. S. Bureau of Labor Statistics. The March Index was 206.6 on a 1967 base of 100, 10.9 percent above the level twelve months earlier. In dollars and cents, this means the same goods and services that cost $100 in March 1978, cost $110.90 last month. The increase for the month was the biggest since August 1973, and the increase for the year the biggest since December 1974.

William E. Rice, Regional Commissioner for the Bureau in Chicago, said over half of the increase for the month resulted from higher housing costs. Food and beverage prices and transportation costs also contributed to the increase but to a much lesser degree.

Higher home purchase and financing costs were largely responsible for a 2.9 percent increase in housing costs. Also important in the increase were higher prices for household fuel (oil, electricity and gas)--up 3.9 percent. Maintenance commodities dropped but the cost of household furnishings, sofas and other furniture, and some housekeeping supplies such as lawn and garden items were higher priced. Housing costs rose 12.8 percent over the year.

Food at home prices rose 0.6 percent, down from the 2.2 percent recorded in February. Most meat items were higher priced with the exception of ground beef and some roasts. Prices of fruits and vegetables as a group dropped 1.5 percent in March. Price changes for other food at home items were small. The cost of food away from home, or restaurant meals and snacks, jumped 2.9 percent and alcoholic beverage prices rose 1.5 percent.

Higher gasoline prices were largely responsible for an increase of 1.1 percent in the private transportation index. Used cars and auto finance costs also were higher.

The cost of apparel rose 2.6 percent. Men's shirts and trousers, and women's suits, separates and sportswear carried higher price tags. Medical care costs edged up 0.2 percent. Higher prices for membership dues and participant sports were partly offset by lower prices for sports vehicles and the entertainment index rose 1.9 percent. The cost of personal care increased 3.2 percent.

Tentative Release for April CPI
Friday, May 25, 1979

Mr. ROSENTHAL. Mr. Williams, tell us who you are and go ahead. You have a very short statement, so why don't you just read it.

STATEMENT OF LINDELL J. WILLIAMS, DEPUTY DISTRICT MANAGER, CENTRAL ENFORCEMENT DISTRICT, FEDERAL ENERGY REGULATORY ADMINISTRATION, U.S. DEPARTMENT OF ENERGY

Mr. WILLIAMS. Yes, sir. I am Lindell Williams, Deputy District Manager of Central Enforcement District, U.S. Department of Energy.

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to testify before you concerning the Department of Energy's enforcement program in the Chicago area and answer questions posted by the chairman.

The mission of the enforcement program is to enforce price and allocation controls, and to promote voluntary compliance with the regulations.

During the past 2 years, the Department of Energy has continued the enforcement of the program which started in late 1973 with the creation of the Federal Energy Office. Since May 1, 1977, 53 pricing examinations have been conducted in the Chicago area with respect to firms engaged in selling refined petroleum products, propane, and other natural gas liquids.

As a result of these examinations, 15 firms have been cited for pricing violations totaling $1.387,174. Eleven of these firms signed consent orders agreeing to refund the overcharges and four firms are appealing the findings of the Department.

Mr. ROSENTHAL. Have any of these names been made public?

Mr. WILLIAMS. The names of the firms where a formal citation has been issued to a firm are always available.

Now, usually only the large violations are put out on a news release.

Of the 15 firms 4 are resellers of refined petroleum products; 4 are gasoline retailers, 5 are propane retailers, 1 is a propane reseller, and the last one is a producer of natural gas liquids.

Most of the pricing violations uncovered during these examinations resulted from the failure on the part of the firm to compute their minimum lawful selling prices or errors in their methods of computation.

Thirty-eight pricing examinations disclosed no violation or no substantial violation, and no further action was taken.

From the examinations made by the Office of Enforcement in the Chicago area during the last 2 years, I conclude that the bulk of the price increases at the retail level resulted from the allowable pass-through of increased product costs incurred by the resellers and retailers passed on to them by their suppliers and also in the case of gasoline a significant local tax increase.

Recently the local enforcement office has initiated over 70——

Mr. ROSENTHAL. How many enforcement agents do you have in this area?

Mr. WILLIAMS. We have eight enforcement agents in the Chicago area.

Mr. ROSENTHAL. How many people go out and check prices every day?

Mr. WILLIAMS. Eight.

Mr. ROSENTHAL. And how many stations do they cover a day?

Mr. WILLIAMS. That does vary, but something in the area of 3 to 4 stations per day.

Mr. ROSENTHAL. Do you follow through on every complaint you receive?

Mr. WILLIAMS. No, sir. We can't follow through on every complaint. We screen the complaints based on our experience with the prices to try to screen out those that do not appear to be in violation.

Mr. ROSENTHAL. What percentage of the complaints do you actually follow through on?

Mr. WILLIAMS. The complaints are screened in Washington and——

Mr. ROSENTHAL. The complaints from Chicago go to Washington?

Mr. WILLIAMS. All complaints received on the Department's hotline are screened in Washington.

Mr. ROSENTHAL. And do you receive complaints locally from local people?

Mr. WILLIAMS. We will take complaints if they are submitted to our office, but we have been publishing the hotline number because of our small staff in the Chicago area.

Mr. ROSENTHAL. If a person goes into a gas station and sees that the price has gone up 10 cents in the last 3 days, and they call you, what do you do about it?

Mr. WILLIAMS. We would take down a written complaint.

Mr. ROSENTHAL. They have to give you a written complaint?

Mr. WILLIAMS. No, sir; we will make a written complaint.

Mr. ROSENTHAL. Then what do you do?

Mr. WILLIAMS. Then we will compare the price that is reported by the citizen against figures that we have of average markups of service stations by brand in the Chicago area.

And if it appears to be higher than the normal for that brand, we will send an investigator out.

Mr. ROSENTHAL. Could you use more investigators?

Mr. WILLIAMS. In recent times, that is, within the last 2 months, we certainly could.

Mr. ROSENTHAL. How many more people do you need to do the job effectively?

Mr. WILLIAMS. I wanted to make sure I understand the job you are talking about.

Mr. ROSENTHAL. The job of making sure that people aren't the victims of price gouging.

Mr. CONYERS. The job, if you will, of his ride this morning where he saw 10 cents difference between the gasoline stations around O'Hare and the stations on the South Side.

Mr. WILLIAMS. If you are speaking about auditing every service station in the Chicago area, there are something over 2,000 service stations in the Chicago area.

To audit all of those in a reasonable amount of time, it would take many more people than we have now.

Mr. ROSENTHAL. How many more people would it take?

Mr. WILLIAMS. I would say 20 additional people.

Mr. ROSENTHAL. Have you asked for any more people?

Mr. WILLIAMS. No, sir.

Mr. ROSENTHAL. Are you going to?

Mr. WILLIAMS. Well, I know from past conversations that I have had that no more people are available in the enforcement program.

Mr. ROSENTHAL. Maybe there should be more people. Shouldn't there be more people available in the enforcement program?

I mean, I rode through here today, and I see high prices like crazy.

Mr. WILLIAMS. We feel by auditing with the number of people we have that we will provide a deterrent to price increases.

Mr. ROSENTHAL. Has that worked so far?

Mr. WILLIAMS. Well, we have only been concentrating on service stations during the last 30 to 45 days, and I think we have seen some effects.

Mr. ROSENTHAL. I haven't noticed it this morning, though.

Mr. WILLIAMS. Well, you know, gasoline prices are high but the effects that I am speaking of——

Mr. ROSENTHAL. How much has gasoline gone up in this community in the last 6 weeks?

Mr. WILLIAMS. I don't have an exact figure. It would only be from my own recollection.

Mr. ROSENTHAL. What do you think in the last 6 weeks, 8 weeks?

Mr. WILLIAMS. I would say it has gone up 10 cents a gallon.

Mr. ROSENTHAL. What was it 6 weeks ago?

Mr. MURPHY. Around 69, 71 cents a gallon.

Mr. ROSENTHAL. It has gone up 15, 20 percent in 6 weeks?

Mr. WILLIAMS. That's correct.

Mr. ROSENTHAL. Is that justified on a passthrough basis?

Mr. WILLIAMS. Well, we have found—we have done 70 pricing audits of service stations in the Chicago metropolitan area, that is the six-county area. We found approximately one-third of those in violation.

Mr. MURPHY. How about the station downtown that charges $1 a gallon?

Mr. ROSENTHAL. One-third of the gas stations are in violation in the six-county Chicago area?

Mr. WILLIAMS. One-third of those 70 that we have audited.

However, the violations that we found, the bulk of them were less than 2 cents a gallon.

Mr. ROSENTHAL. But they were in violation. In other words, they were stealing, but they weren't stealing the full amount.

What are you going to do about it? Are you sending anybody to jail?

Mr. WILLIAMS. No; if we can prove a criminal violation, we will certainly press it.

Mr. ROSENTHAL. But has anybody gone to jail anywhere around here?

Mr. WILLIAMS. Overpricing in a service station?

Mr. ROSENTHAL. Yes.

Mr. WILLIAMS. Not to my knowledge.

Mr. ROSENTHAL. Why not?

Mr. WILLIAMS. I don't think we have found criminal violations in overpricing.

Mr. MURPHY. Well, I was watching a TV program recently, and downtown there is a fellow charging $1 a gallon on the near North Side—a dollar a gallon.

And I went up to my station at 101st and Western, and one fellow was charging 81 cents. That is a 20 cents difference.

Did you look into that fellow that was charging $1 a gallon? He got a lot of publicity.

Mr. WILLIAMS. I don't know the specific station.

Mr. MURPHY. It is on Ontario Street between LaSalle and—I am not even an investigator—it is on LaSalle and Ontario right down by Morry Majors sports store. It is a Standard station.

Mr. WILLIAMS. I can't say if we audited that station.

Mr. ROSENTHAL. Will you go there this afternoon, OK? Will you go there this afternoon?

Mr. WILLIAMS. Yes, sir, I can send an investigator there.

Mr. ROSENTHAL. Go there yourself. Also, check South Side versus North Side prices and report back to us.

[The following information was subsequently furnished to the subcommittee:]

Department of Energy
Central Enforcement District
324 East 11th Street
Kansas City, Missouri 64106

816-374-5936

May 31, 1979

Mr. Stephen R. McSpadden
Counsel to the U.S. House of Representatives
Commerce, Consumer, and Monetary Affair
Subcommittee
Rayburn House Office Building, Room B-377
Washington, D.C. 20515

Dear Mr. McSpadden:

In response to questions posed by the subcommittee at the hearing held in Chicago on May 11, 1979, I am submitting the following information.

The subcommittee asked the Department of Energy (DOE) to audit the service station at 631 North Lasalle Street, Chicago, Illinois, known as Root Brothers Standard Service. The DOE has conducted this audit with the following results. The service station was found to be overpricing regular gasoline by 1.1 cents per gallon and unleaded gasoline by 1/2 cent per gallon. The service station operator has signed a consent order with DOE and reduced the prices to his maximum lawful selling price.

The subcommittee asked whether the price violation rate was higher on the south side of Chicago than in the remainder of the metropolitan area. Based on the audits conducted in the past 60 days the violation rate for the entire Chicago metropolitan area was 41 percent and the rate for the south side of Chicago was 76 percent. Based on this information, I have directed the Chicago office to intensify their efforts on the south side of Chicago.

The subcommittee also asked how many auditors it would take to audit all of the gasoline stations in the Chicago metropolitan area. During the hearing I testified that in my opinion it would take 20 auditors to audit the current maximum lawful selling price at all gasoline

stations in the Chicago metropolitan area in a reasonable time. Per your request, I would clarify that answer by saying that it would take at least 20 auditors working full time to audit all of the gasoline stations in the Chicago metropolitan area in 90 to 120 days. However, under a policy published by the Economic Regulatory Administration of the Department of Energy on June 27, 1978, 43 F.R. 27777:

> "A. It is the policy of the Economic Regulatory Administration (ERA) not to commence any price regulation audits after June 30, 1978, at
>
> (1) any resellers, reseller-retailers or retailers (as defined in 10 CFR Section 212.31) of petroleum products other than propane, or
>
> (2) small resellers, small reseller-retailers or small retailers of propane,
>
> except on suspicion of a willful violation of the price regulations, by reason of complaints or other credible indications of significant violations, or if an exception or other special relief from the price regulations has been afforded ...."

Therefore, under this policy it is unlikely that all of the gasoline retailers in Chicago would be audited unless complaints or other evidence of violation was received concerning all stations.

If you have any further questions concerning my area of responsibility, please do not hesitate to contact me.

Sincerely,

Lindell J. Williams

LINDELL J. WILLIAMS
Deputy District Manager
Central Enforcement District

Mr. WILLIAMS. But I would like to say that we have found illegal gasoline prices in the Chicago area in excess of $1 a gallon.

Mr. ROSENTHAL. The public around this country is outraged at what is going on. Are you angry about anything?

Mr. WILLIAMS. As a consumer I am always angry about higher prices.

Mr. ROSENTHAL. But the public is seriously concerned about what is going on.

Mr. WILLIAMS. All I can say is that we haven't found massive overpricing of gasoline.

Mr. ROSENTHAL. Then you haven't been out in the streets.

Mr. MURPHY. Let me make a suggestion. When April 15 or 16 rolls around every year, the Justice Department indicts a number of doctors, poor people, and middle-income people for failing to report all their income.

That is a message to the rest of us that you better not cheat on your income tax.

Grab a couple of these guys, send them to jail, and then maybe the rest of these people won't cheat.

Mr. WILLIAMS. We have collected some civil penalties in the Chicago area recently from gasoline dealers.

Mr. MURPHY. You have got to get tougher. You look like a tough guy, can you get tougher?

Mr. WILLIAMS. Yes, sir, I can get tougher.

Mr. ROSENTHAL. Thank both of you very much.

Mr. Rice, one last question.

Is there any statistical evidence that the wage/price guidelines are having an effect in this community?

Mr. RICE. No evidence that I am aware of.

Mr. ROSENTHAL. Thank you both very much; you have got to get tougher.

[Mr. Williams' prepared statement follows:]

STATEMENT OF

LINDELL J. WILLIAMS, DEPUTY DISTRICT MANAGER

CENTRAL ENFORCEMENT DISTRICT

ECONOMIC REGULATORY ADMINISTRATION

U. S. DEPARTMENT OF ENERGY

BEFORE

SUBCOMMITTEE ON COMMERCE, CONSUMER AND MONETARY AFFAIRS

UNITED STATES

HOUSE OF REPRESENTATIVES

MAY 11, 1979

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE,

I APPRECIATE THIS OPPORTUNITY TO TESTIFY BEFORE THIS SUBCOMMITTEE CONCERNING THE DEPARTMENT OF ENERGY'S ENFORCEMENT PROGRAM IN THE CHICAGO AREA.

THE MISSION OF THE ENFORCEMENT PROGRAM IS TO ENFORCE PRICE AND ALLOCATION CONTROLS AND TO PROMOTE VOLUNTARY COMPLIANCE WITH THE REGULATIONS.

DURING THE PAST TWO YEARS THE DEPARTMENT OF ENERGY HAS CONTINUED THE ENFORCEMENT PROGRAM WHICH STARTED IN LATE 1973 WITH THE CREATION OF THE FEDERAL ENERGY OFFICE. SINCE MAY 1, 1977, 53 PRICING EXAMINATIONS HAVE BEEN CONDUCTED IN THE CHICAGO AREA WITH RESPECT TO FIRMS ENGAGED IN SELLING REFINED PETROLEUM PRODUCTS, PROPANE AND OTHER NATURAL GAS LIQUIDS.

AS A RESULT OF THESE EXAMINATIONS, 15 FIRMS HAVE BEEN CITED FOR PRICING VIOLATIONS TOTALING $1,387,174.00. ELEVEN OF THESE FIRMS SIGNED CONSENT ORDERS AGREEING TO REFUND THE OVERCHARGES AND FOUR FIRMS ARE APPEALING THE FINDINGS OF THE DEPARTMENT. FOUR OF THE FIFTEEN FIRMS ARE RESELLERS OF REFINED PETROLEUM PRODUCTS, FOUR ARE GASOLINE RETAILERS, FIVE ARE PROPANE RETAILERS, ONE IS A PROPANE RESELLER AND ONE IS A PRODUCER OF NATURAL GAS LIQUIDS. MOST OF THE PRICING VIOLATIONS UNCOVERED DURING THESE EXAMINATIONS RESULTED FROM

THE FAILURE ON THE PART OF THE FIRM TO COMPUTE THEIR MAXIMUM LAWFUL SELLING PRICES OR ERRORS IN THEIR METHODS OF COMPUTATION.

THIRTY-EIGHT PRICING EXAMINATIONS DISCLOSED NO VIOLATION OR NO SUBSTANTIAL VIOLATION AND NO FURTHER ACTION WAS TAKEN.

FROM THE EXAMINATIONS MADE BY THE OFFICE OF ENFORCEMENT IN THE CHICAGO AREA DURING THE LAST TWO YEARS, I CONCLUDE THAT THE BULK OF THE PRICE INCREASES AT THE RETAIL LEVEL RESULTED FROM THE ALLOWABLE PASS THROUGH OF INCREASED PRODUCT COSTS INCURRED BY THE RESELLERS AND RETAILERS PASSED ON TO THEM BY THEIR SUPPLIERS AND ALSO IN THE CASE OF GASOLINE A SIGNIFICANT LOCAL TAX INCREASE.

RECENTLY THE LOCAL ENFORCEMENT OFFICE HAS INITIATED OVER 70 PRICING EXAMINATIONS OF GASOLINE RETAILERS IN RESPONSE TO NUMEROUS COMPLAINTS FROM THE PUBLIC. APPROXIMATELY ONE THIRD OF THE FIRMS EXAMINED WERE FOUND TO BE OVERPRICING AT LEAST ONE GRADE OF GASOLINE. MOST OF THE VIOLATIONS, HOWEVER, WERE LESS THAN TWO CENTS PER GALLON AND APPEARED TO BE THE RESULT OF ERRORS MADE IN COMPUTING THEIR MAXIMUM LAWFUL SELLING PRICE.

Mr. ROSENTHAL. Our next witnesses are Walter Coleman and Emma Green. Mr. Coleman, Ms. Green.

Ms. Green, why don't you go ahead and get started.

STATEMENT OF EMMA GREEN, REPRESENTING THE CHICAGO DEFENDER ADVISORY BOARD, THE ENGLEWOOD COMMUNITY ORGANIZATION, AND THE HOSPITAL OF ENGLEWOOD

Ms. GREEN. Yes, I would like to testify before Conyers gets back with his interrogation. And go easy on me, Congressman.

OK, first of all I am going to read a speech that I brought, then I am going to speak to some specifics in this community.

To the Commerce, Consumer, and Monetary Subcommittee, my name is Emma Green, and I am here today representing the Chicago Defender Consumer Advisory Board, the Englewood Community Organization, and the Hospital Englewood.

I am here to express our concern over the seemingly inability of the Government's current anti-inflation program to protect consumers. The consumers are not being protected from the increasing prices.

Inflation is taking the maximum toll on the average and low income families. Food prices have jumped as high as 35 percent in some cases.

The cost of meat is on the rise daily, and an average 3-pound roast today is $10.95 as opposed to $7 a year ago.

Manipulation of beef prices in any way are contrary to Federal law. We feel that the farmers are holding back on production while at the same time bleeding the average consumer, while they collect a high price for cattle.

The cattle raisers are playing a calculated game and reaping enormous profits. Hamburger selling for $1.29 per pound on May 2 is now $1.79 a pound. This is outrageous.

The price of bread has jumped from 50 cents a loaf to between 89 cents and $1.09 per loaf. A head of lettuce now sells from 89 cents to $1 per head.

The cost of living is spiraling in the area of utilities. Persons on fixed incomes and low incomes are hard pressed to pay their bills. The gas and electric bills have risen approximately 11.3 percent. Medical care has increased 8.2 percent. Apparel commodities have increased 6.4 percent and transportation is up 10.1 percent.

In the area of tax assessment, our concerns are also directed at the inequities in tax assessment for black and minority homeowners.

If you own a house in a black neighborhood in Chicago, chances are it is grossly overassessed for tax purposes. A study was made by an urban specialist from the University of Illinois which indicated the overstatement of value of property in black areas.

A prime example of this is in the West Englewood area where in 1969 the average assessment was $225, but currently that same property which has declined in value because of the transitional changes, are leaving the homes with much needed repairs, are now assessed at approximately $600, an increase of $375 for the low income families.

In conclusion, we submit to you that the continuing spiraling of the cost of living will bring about catastrophic results. And I further submit to you that action that the Government, the food industry,

and the consumers could take to reduce food prices could include the encouragement of price competition in farm input supply, food manufacturing and food retailing industries, improving public knowledge of nutrition for better food purchase decisions.

Price regulations must be initiated, cost containment should be encouraged, and the importation of foreign beef to our country to stimulate farmer competition.

If these things are not done the whole economic strata will become so inflated that the interest and protection of consumers will be nonexistent.

That concludes my statement, but I was told by the other gentleman out in the hall, did I have any specifics in this area.

Well, we know that the price of gas is up 13 cents in this area. And this hampers many times persons who want to visit their parents in distant areas.

And we have also found out that in many cases as persons have gotten their tank filled with gas, there is water in the gas. And they have had a complete overhaul of the car and they find that it is being diluted with something. We feel it is water, but I don't want to get in dutch with that.

In terms of health care, many persons, especially those on fixed incomes, many times let illnesses go until it is terminal because they have no money to compensate them for seeking a physician.

In terms of manpower and education, we see here in the Englewood community many dropouts. This leads to another problem in terms of crime.

The children are living sometimes with mothers who have no husbands, and even those families where they have a two-parent family, most of the times both parents hold jobs to meet these soaring prices.

So this is doing something to the morale of the children and the stability of their minds. We feel that something should be done for this inflationary kind of spiral that is taking place in our Nation.

Thank you.

Mr. ROSENTHAL. Thank you very much.

Mr. Coleman, do you want to identify yourself for the record?

STATEMENT OF WALTER COLEMAN, COCHAIRMAN, HEART OF UPTOWN BLOCK CLUB COALITION FOR JOBS AND HOUSING, AND PRESIDENT, UPTOWN PEOPLE'S COMMUNITY HEALTH SERVICES ORGANIZATION

Mr. COLEMAN. Yes. My name is Walter Coleman. You tell Conyers to come back into the room. I came all the way over here from Uptown to talk to Conyers; he is the only one that I know in Congress that makes any sense. Somebody that comes all the way from Uptown to talk to him, he ought to get his butt back over here.

My name is Walter Coleman and I am the co-chairman for the Heart of Uptown Block Club Coalition for Jobs and Housing and president of the Uptown People's Community Health Services Organization.

The first thing that I would like to comment on is the question of statistics. I have been in Uptown for 15 years, which is a community of about 120,000 people. It is a mixed community. It has got about 20 percent of every minority that exists from, you know, southern whites

to blacks and Puerto Ricans, to Mexicans to Native Americans, Chinese, Japanese, we have about everything you got existing up there in Uptown.

I ain't never seen nobody from the census. We have been active for 15 years, we never run across anybody that ever saw anybody from the census. We never saw anybody from the Bureau of Labor Statistics.

Mr. ROSENTHAL. John, this man said you are the only Congressman that makes any sense. I wanted you to hear that on the record, so you better repeat that again because he won't believe me.

Mr. COLEMAN. Well, that is what I said, yes.

Mr. CONYERS. I would like to chair the committee if what you say is true, sir.

Mr. COLEMAN. So anyway, we never saw anybody from the Census or from the Labor Statistics, and we have looked at labor statistics up in our area, and they don't really relate to anything.

And I think it is very important that the people in Congress get some kind of accurate information, and I would like to give you an example.

When we were trying to get a health center in our area, the city—our area is an area where the land is gold because it is close to the lake, so they would like to run us off of there so that they can go ahead and build what they want to build on the lake.

Mr. MURPHY. Can I interrupt you a minute. Isn't Dr. Thorek trying to extend his hospital in the area?

Mr. COLEMAN. Yes, Thorek is trying to extend his hospital. A lot of people have got hospitals up there, but all of the hospitals that came in the forties and fifties, they are run by private doctors like Dr. Thorek and so forth, and those doctors don't take people from our neighborhood because they admit people through private doctors, and those private doctors live in the suburbs and their patients are from the suburbs. So at any particular time 85 to 95 percent of the patients in the hospitals don't even come from the city much less from our neighborhoods.

Anyway, we worked out with Cook County Hospital to go ahead and set up a clinic up there. We worked out a model for it. We did our survey in terms of what kind of services we wanted, then we got opposition from the board of health and several other people that said, "You don't need a clinic in there."

So we did our own survey. And I think people in the communities are as capable as any of the bureaucrats or the trained statisticians that they run out there; we can follow guidelines and tell you how to develop statistics and so forth. And we developed a study that proved that it was a medically underserved area.

And on that basis we were able to hook up with HEW and get the National Health Services for it, and we have about a million dollar clinic in there.

I think that that can be done on a series of things. Instead of picking people at random, which means that they overlook us all together, overlook our communities all together, I think if they would pick certain target areas and deal with the community organizations in those areas and allow them to do studies themselves, they would find out that the real rate of unemployment runs 40 and 50 percent. They would find out what the actual medical service and educational needs and job needs in a community are.

And there is no reason why along with the random sampling or overall statistics that there couldn't be target areas where the community was allowed to develop their own statistics. We are not asking for money, we are just asking that the statistics be recognized. Maybe we have some expertise so we can fit our surveys into what other people are talking about.

The second thing, we are in the middle of a survey now which is about 85 percent completed, in terms of rents.

We show a 26-percent increase in rents over the last year in our neighborhood. That means, for instance I will take myself, for example——

Mr. ROSENTHAL. Is there any kind of rent control in Chicago?

Mr. COLEMAN. No; there is no control on anything that has to do with real estate, banks, or finances in the city of Chicago.

The biggest jump is in the last quarter, so we would anticipate by the end of the third quarter that the year will show somewhere around 40-percent rent increases.

A year ago I paid $175 for a two-bedroom apartment. I pay $250 now. You know, we have many people whose rent increases have been $100 over the last year whose income hasn't changed a bit.

Mr. ROSENTHAL. How do they survive, how do they make out?

Mr. COLEMAN. Well, you know, how do you make out? We have an illegitimate economy, that is how we make out.

Mr. ROSENTHAL. What do you mean by that?

Mr. CONYERS. Hustling. Borderline.

Mr. COLEMAN. Well, we steal things and we sell them. I mean, you know, we got an illegitimate economy that is just as big as any, you know, legitimate economy. We have the same size that is on the real side, you know. You can get anything you want from the fence, and you can do it, you know—why go to a department store and buy a sofa which is going to fall apart in 3 months and you are going to be paying for it for the next 2 years, when you can get a brand new sofa that would cost you a lot more money for just $35–$40 from the right guy. That is how we survive.

And then we sell it, sell it back to somebody for $50. We have an illegitimate economy and that is how we survive. [Applause.]

How else do we survive? We have a situation where there is a percentage of people in our community that is on public aid, runs about 25 percent; another 20 percent is on some sort of fixed income, social security, or something like that.

For a family of four, public aid will put out—in their grant it is $125 in the State of Illinois is allocated for rent. You can't find for a family of four rent for $125. You will be lucky in our community if you can find for a family of four rent for $200. That means your whole check goes for rent.

I would like to talk a little bit about some of the reasons for that. No. 1, if you will notice—and this is just an indication of it, and I don't want to make too much of it—just look at what the condominium situation relates to here.

The condominium situation has taken a whole lot of rentals off the market for the middle class, all right. Now, we all know what that represents; that removes capital, money, from the middle class and puts it in the hands of the banks and the insurance companies and the real estate investors and so forth, in a massive amount.

We have never seen that massive a transfer of capital from the middle class to the financial interest since the twenties, and after the twenties came the thirties.

All right, when they are locking up those condominium units, what that means in our area is that all of a sudden the landlord has a big market for a middle class apartment. That means instead of messing around with us coming up with $175 and $200, he can get $350 and $400.

We live in the ghetto, all right; this is the ghetto. There ain't nothing but hillbillies from West Virginia and folks from Allentown and Mississippi and Puerto Rico; we have been urban renewed out of every part of the world to get there, Puerto Rico and everywhere else—that is the ghetto. They have apartments, one-, two-bedroom apartments for $350–$360. They think they can get the middle class to come and move in there, and the fact is they can because they are being condominiumized off the lakefront.

All right, that effect is going to ripple throughout the whole city, it is already rippling throughout the whole city. In the city of Chicago, there are absolutely no controls on condominiums. And there are not going to be controls from the city of Chicago level for a long time.

We have 4 more years; we got tricked into a mayor that looked like she was for reform, and we got 4 more years that we are going to be in this situation. We are not going to go anywhere with this, there is not going to be any condominium regulation.

The real estate interests and the banks—the Continental, which handles over 50 percent of this condominium transaction, they are going to go unbridled for the next 4 years. There is no question about that.

So the question of regulation of real estate goes a lot beyond that. I am not a professor of economics, but I know a little bit about economics from our point of view.

I know that when you build public housing that cuts inflation, that is a hold against inflation, right? You know, you put goods out here that people are going to use, that brings down the level of prices. That is a hold against inflation.

The section 8 program which is a jive program, that doesn't hold down inflation, that brings inflation up, and it doesn't help us. So after you get in there with a section 8 and we are paying a nice little rent there for 2 years and you got $350 going to the landlord, after we are finished with the section 8 then he rents to someone from the middle class for $350, $400, and we are priced out of the thing. All that does is lifting the price of the housing.

Where public housing, and it doesn't have to be Cabrini Greens or that place in St. Louis where they had to bomb it because they built it so bad, it could be scattered site housing. No reason why that can't be, that could be all over the place. That holds down inflation.

And yet at the Federal level, what is our policy for housing? Forget aboute public housing, we are going out of the market of public housing, and yet that is the No. 1 way that we could be holding down the rents in this area, and holding down rents in a lot of ways.

We have already had a party in our area, and we have said, "Look, here are the vacant lots. You put public housing on those lots, and you move us in there, and they can't move too many of them in there." That means the rents are going to stay down. Does everybody under-

stand what I am saying? If you move us in selected target places there, then that is going to keep that a mixed-income community, they are not going to be able to drive it up and make that a middle-income community. It keeps the rents down not only for the, you know, few people, it is going to keep the rents down in the whole area.

Well, that makes sense. The section 8 thing does just the reverse. It moves us out of a community over a period of 2 or 3 years and brings the rate of inflation up.

All right. Now, the same thing is true about public health care. Instead of the HMO jive that Nixon started—you know, HMO has failed in every oppressed community in the city of Chicago. The only way they could get by and function was to rip off public aid. So then they got exposed, whether it was a cure program or whatever else it was, they went bankrupt and they went out. And HMO does not work in our area.

A cooperative health care program might work, but that would have to start with a public health care base so that we can build for 5 years and have the services to draw the membership so that we can move someplace with it.

Public health care, that is anti-inflationary, right; public health care brings inflation down, but we don't want to put in public health care.

We come up with all these so-called leverage of the private sector to get involved, and all that does is allow the private sector to bring the prices of everything up.

But when you come up with a public institution like public housing or public health care, then you got to do another thing, you have got to say that the people that sell the materials for public housing have got to sell at reduced rates. They get public money, all them companies get public money somewhere down the line, so that we won't be priced out.

The Cook County Hospital, which they are trying to shut down on us now—and when they shut down the Cook County Hospital in this city we are not even going—we couldn't even pay to get into the waiting rooms of the other hospitals.

What is the main thing that is hurting the Cook County Hospital? It is the drug companies which are getting subsidized by the Federal Government and charging enormous rates, and the medical equipment companies.

Most of the medical equipment was designed in the Space program, that is where they come up with all these dispensibles that you can throw away that cost about five times as much. That was subsidized by us, the taxpayers, yet when it comes to being sold back to the public health care they can sell it at the same rate to the Cook County Hospital as they can sell the Presbyterian-St. Luke's. That is wrong. That keeps the public hospital from being in an anti-inflationary position.

But it seems to me that there are things that can be done in terms of health care, there are things that can be done in housing. We are going to have to change the direction totally of the Federal Government because its private enterprise concept that they were moving on through the Nixon administration is now choking us, it doesn't work.

That is what is bringing up inflation. This whole idea—it is not the question that public money is out there—you know, big Federal ex-

penditures are bringing inflation—it is the fact that the Federal money that is being spent in the communities has been put into programs like the section 8 program or a bunch of other programs like that, that allows the private corporations to make big money and feed off of it, to utilize it, and to bring the rate of inflation up.

Mr. CONYERS. What is the employment and job training situation like here in Chicago, are you familiar with any of that?

Mr. COLEMAN. Yes; we are familiar with it.

Sam Bernstein promised that as long as he was in the city of Chicago that our organization would never get a CETA. The reason is that when the city of Chicago put in for its overall economic development plan, that was before Daley died and he decided he was going to make the whole city an overall economic development plan area, they used the same group of people that are representatives of the utilities companies and the big banks, which is the Economic Development Commission here and their staff to put together the proposal.

So we sued them. We said they didn't follow the Federal guidelines in putting together this proposal, they denied minorities and representatives of unemployed communities a part in developing the proposal. And we have been holding it up for 2 years.

Finally the EDA went ahead and approved it and we are in court on it and we are going to stop them, all right. Because, what they did is they took the unemployment figures for Woodlawn and Lawndale and Uptown and West Town and Cabrini Green and Kenwood-Oakenwald, they took those and published figures which brought the unemployment up where they would qualify under EDA standards to get some money, and then they drew up a plan to spend that money on the basis of employment in our community to rebuild Dearborn Park and the Loop and the Franklin El and all this other ———. Now, that is what they have been doing.

There is this history to utilize Federal funds gotten on the basis of unemployment or gotten on the basis of housing needs, and to take that money and use it to rebuild the Loop.

Now, what that comes down basically to, when you start talking about CETA on the real side, CETA is not a job-training program. CETA has nothing to do with a job-training program. I don't know of a CETA slot in the city that anybody gets trained on, where you get trained to do something.

What you get is a check and it usually doesn't come on time. It is the hardest thing in the world when you get a young dude and get him a little CETA slot and you are trying to prepare him for some kind of employment and he doesn't get paid for 3 months, then his idea of employment is, it is much better to be out there on the street because "I get paid every day. I may not get paid much, but I get paid every day."

But there is no job training. You have got to break the unions open in this town to get job training. You have got one trade school, that is Washburne, all right. That is controlled lock, stock and barrel by the unions.

Unless you break the unions down you don't have any job training in this town, because, the jobs in this town is in construction. So, as far as the CETA program goes, it is a patronage operation, that is all it is in this town.

And most of the people that are on CETA are not even, you know, not even doing no work, they are just collecting a check for getting the votes out on election day.

Mr. MURPHY. Let me ask you a question: You were talking about housing, and I agree with you that there hasn't been any low-cost housing and I think it is a hedge against inflation. But our Congresswoman Cardiss Collins has been fighting this battle.

Are you familiar with the *Austin* decision——

Mr. COLEMAN. Yes.

Mr. MURPHY [continuing]. That doesn't allow low-cost housing in Chicago until there is integration in the suburbs, which is not happening.

Mr. COLEMAN. Well, you know, that is an interesting decision. You know Daley fought it all the years; as soon as he lost it he had a big press conference and said, "Well, I told you this is a good solution, I am happy with this because housing can only be developed on a metropolitan basis."

And, you know, that is what the people of this city, you know, the master plan that this city has been talking about for a long time, they don't want us in this city.

The plan for the city of Chicago in terms of housing and jobs is very simple: here we have all the people in the city that ain't got no jobs. That means they haven't got no income so they have a tax base problem.

Instead of giving us some jobs which would save all those moving expenses, the idea is to move the people out of the city, move them, disperse them into powerless poverty pockets would have no voice—move them out of the area.

We are not going to Skokie, we are not going to Aurora. You know what I am saying? We are not going to the suburbs; when they say "go to the suburbs," they are talking about going to Bensenville where they have got dirt streets and outdoor plumbing, right, and where we wouldn't be able to get a demonstration together to talk about public aid or to talk about job training for all the money in the world.

So the *Austin* decision, there was some liberals that thought that was a good idea, and the plaintiffs that originally initiated this suit, the lead plaintiff died, and so she ain't been around for 7 years, she doesn't know what is being done with it by these fancy lawyers, so the *Austin* decision didn't do anything but deprive us of housing.

On the other hand, my community, half of my community because the census is so ridiculous, half of my community actually falls north of the Irving Park line, which means that they could put public housing in my area. They could put plenty of public housing in my area. That would allow them to put it back in the record in the central city.

But they won't do it; they ain't built a lick of public housing up there and they are not going to do it. They don't intend to because our land is gold up there, just like every land along the lake, whether it is Kenwood or Oakland or whatever it is, and they don't want us up there.

The *Austin* decision is not keeping the city of Chicago from building housing. They could do it if they wanted to. The question is that they don't want to do it.

Mr. CONYERS. Let me ask you this: If you were brought before the Congress to be asked how we should fight inflation, how we should create livable cities, not just in Chicago but all over, and how would you create jobs; how would you give us some advice on those subjects?

Mr. COLEMAN. Well, the first thing is there have got to be regulations of the real estate and banking interests in terms of how they operate in the city. And I don't mean redlining. That doesn't have anything to do with anything. All that did, redlining ordinances and stuff like that got passed around the country and so forth, all that did was get the banks to reinvest in our communities to bring in developments where we couldn't live in. They didn't free up any money for us.

That just made it so the banks could say, "We are putting money into the communities." But I mean some serious regulations of the real estate monopolies and the bank monopolies. That is No. 1.

No. 2 is regulation of the utility companies. You know, we have got a lot of small to moderate landlords in our neighborhoods that are trying to make it, they are trying to provide low- and moderate-income housing and they stick with it; they live in the buildings, some of them, and they really try to do something. But with the oil bills the last three winters and the gas bills, they are wiped out.

We go to them and argue with the tenants and have little strikes and things like that, and we sit down with them and they say, "Well, look at the books. I am losing $5,000 a year on the building."

All right; well, where is that $5,000 coming out of? Out of the utilities every single time, it is coming out of utilities?

Mr. CONYERS. How would we regulate utilities?

Mr. COLEMAN. Well, if you don't regulate them, I am going to regulate them with a gun; that is the only way—if you all can't come up with some laws to regulate them and say you have got to keep the prices down to pay for the gas and the oil, we are going to regulate them.

Mr. CONYERS. Just before you go for your gun, let's talk this over first.

Now, we are going to begin to talk about regulating those utilities and there are people in Congress that want to regulate utilities.

But the question is, how do we go about it, since they happen to be in a control position at this point.

Now, should we—are we talking about limiting their rates that they can charge for gas and electric? Are we talking about putting citizens on the boards of directors? Are we talking about creating legitimate utility commissions within each State instead of appointing perhaps people who are part of the utility industry?

What methods do you see as being more feasible there?

Mr. COLEMAN. Well, I think limiting rates is like rent control, which can be dangerous. In other words, that can destroy a situation as well as anything else.

The aspect that we are concerned with in terms of utilities has to do with the residential consumer and the small landlord, so forth. Where utilities affect residential living, that is where we are concerned.

Where utilities affect the big corporations and so forth, we are not so concerned about them; they seem to be able to handle themselves all right.

So across the blanket cost increases may hurt some places and may help other places. So it seems to me that there have to be boards set up that involve participation from the communities that can look at it on a 6-month by 6-month basis and see what the cost of real estate is and regulate the utilities accordingly.

In other words, it is ridiculous for somebody to be paying as much in utilities as they are paying on their mortgage. I mean, that is destroying them.

So you can begin to develop case studies of building owners on the one hand and say, "Look, this is how much income they are getting in from lower and moderate-income housing, and this is how much they have to pay out in mortgages and this is how much the utility bills come to."

Now, if they don't add up, then you have to cut on the utility's bills. And you can regulate prices on an area by area basis.

And then secondly, also in terms of consumers, where people are paying their own rates you can see where the rates are too high for them to buy food and pay the utilities at the same time.

I don't want to go on too long because there are other people to testify, but I think regulation of the real estate interests is essential, condominium ripoff and so forth—you know, we had a rent freeze not too many years ago that affected the whole country and yet rent is the No. 1 inflationary factor right now.

Carter has attacked everything else but real estate. He talked about everything else but he will not talk about real estate.

That is because we have a real estate boom in this country at the same time. You talk about the profits of the oil companies, the profits of the real estate companies are twice that in terms of what they have increased over the last 2 or 3 years.

We have a boom; a transfer of capital from the middle class to the banks and the real estate industry in general.

Regulate the real estate and regulate the utilities are the first two questions that I believe we have to deal with.

Mr. ROSENTHAL. Mr. Coleman, you have been a very exciting witness. I think we are going to recommend you for appearance before the Joint Economic Committee. You are a good guy; nice to meet you. [Applause.]

Is there anything else, Miss Green, you wanted to say or tell us? We are very grateful for your coming here today.

Thank you both very much.

Ms. GREEN. Thank you.

Mr. ROSENTHAL. Our next witnesses are Roxanne Sadat and Melva Ferguson. Why don't you identify yourself.

STATEMENT OF ROXANNE SADAT, SOCIAL SERVICE COORDINATOR FOR THE NEAR SOUTH PARENT-CHILD CENTER

Ms. SADAT. I am Roxanne Sadat, Social Service Coordinator for the Near South Child-Parent Center. This is the Kenwood-Oakenwald area. Our area has five housing projects, seven senior citizen homes.

We want to thank you for coming here so we could talk to you because if we had to pay the cost for transportation to get to Wash-

ington, and we are excluding here mule trains and dogsleds and wagon trains, we could not have come. Thank you for coming to us.

I want to throw some questions out to you first, OK, and then give you some answers.

Mr. ROSENTHAL. Oh, rhetorical questions.

Ms. SADAT. There you go.

What does it mean when you tell us that inflation has soared 13 percent a year and our incomes have increased only 4 percent over the last three?

What does it mean to the King Service Community area when we are told that the national savings rate is drastically down?

What does it mean to a father who has a family of six, a mother who has a family of four, when you tell them that their paycheck has 2 percent less purchasing power than it had 1 year ago?

What does it mean to the Head Start families we serve when the cost of ground beef has risen 22 percent in the last year? The cost of ground beef is now what steak used to be yesterday.

What does it mean when your child needs crisis medical care, and the minimum cost in the hospital—and this is for very minimum treatment, this is for taking your temperature, this is for taking your blood pressure—is $50.

What does it mean to be responsible for providing clothing needs for your children but you can't feed them?

It means despair and it means severe feelings of inadequacy, it means being hungry in this land of plenty. It means feeling impotent, useless, misused, abused, and alienated.

It means that at our center a mother of 22, who has three children, who cut off, cut off the toes of her children's shoes and wrapped them in brown paper and put a rubber band around them to bring them to the Head Start Center because she was hungry and that was the only place, again, the only place where she had food to eat.

I questioned her and said, "Well, Mrs. W., why don't you talk to your case worker?"

I went with her and said, "What should she do?" She has the choice of clothing her children—and if you are familiar with the weather reports I think you know that the wind chill factor here hits minus 60 some days—or feeding her children.

Her case worker asked me if I were familiar with Marie Antoinette's saying, "Let them eat cake."

I hope that I have successfully gotten that case worker's job. I have written enough letters to let her eat cake.

You want to know what to do? You talk about welfare reform. I always hear from welfare reform, "You have got black folks cheating on welfare. You have got black men driving in Cadillacs taking welfare checks. You have black women laying up making 15 babies, taking welfare checks."

Welfare needs to be reinformed from a different aspect in where that the service is given, the welfare is truly given to those that are indigent, those who need.

I was privy to a conversation with a 87-year-old woman who has been dead now for 5 weeks. I watched them when they took her body out of the senior citizen home. And I was listening, kind of kibbitzing

on the conversation, and the folks said, "I wonder why she took that overdose of digitalis, you know, she has been taking digitalis for her heart for years." And I wondered just what was the problem.

I talked to that woman 3 weeks before her death. She told me that she had worked for 36 years; 36 years, and she thought her security checks wasn't in favor of feeding anything. And she was tired. Over 80 years old, she was tired of struggling and she did not know what to do.

And she said there was salt poured into her wound when they cut food stamps; cut her food stamps. I know that was not an accident; that woman took her life.

You know, we are in a country that we have no regard for the elderly whatsoever. The elderly who are on fixed incomes, that is where inflation hits.

You know, anyone who is on a fixed income—it hits me, who I studied long and hard in order to obtain degrees, graduate degrees.

I make more money than I have ever made in my entire life and I have to pay the gas company $225 a month on a budget, this is a budget, to heat a six-room frame house which I bought in Woodlawn to rehabilitate it because I could not afford to go anyplace else.

My husband screams at me all night. He says, "Roxanne, get away from the sewing machine." I have got to sew because I can't afford to buy clothes.

I am not on a fixed income; I make a healthy five-figure income. I cannot send my child to private school if I wanted to. And this is what I thought the American dream was all about.

That is what inflation does. You cannot possibly cope with the realities of your responsibilities with inflation, much less pursue your dreams.

We have talked about a father who was put in jail for stealing food. This is not Mississippi, this is Chicago, and this is 1979, when his CETA job after 18 months ran out.

And you talk in terms of CETA doesn't train people or CETA takes folks off of welfare roles and says, "Hey, we are going to give you a CETA job," and you allow someone for 18 months to get an income and then you cut it.

And you tell them, "Go back get in line, go back get food stamps, go back get on welfare," and people will not do it.

This man was put in jail for being hungry. And again, this is not Mississippi, this is not Alabama. He stole like $4 worth of food, he was put in jail here today.

We have parents who when they would eat with their children at Head Start would wrap up their food and come back for more and pass it out the door to their older children, older children who would not go to school until they became fed.

We have a child who was—what is the word—killed, died, and the suspected cause was child abuse.

When the family came in to us we know something was wrong. You know, we are in the parent-child center, we are concerned with the quality of life, we are concerned with enhancing the quality of life. They could not get to the center—they had an old car—because the cost of gas had risen so. They could only, when the public aid check

came in. And in between the public aid check that child was battered to death, a 6-month-old child.

When the parents came they said, "We are having a problem of coping. My husband has lost his job; welfare is screwing us left and right. We do not know what to do."

[Ms. Sadat's prepared statement follows:]

I am Roxane Sadat, Social Service Co-ordinator for the City of Chicago, Department of Human Services, Near South Parent Child Center. The Parent Child Center is a unique Combination of programs aimed at enhancing the quality of life for both Parents and Children, Aimed at providing positive learning experiences for Children from birth to 5 years of age, the time many experts agree is Crucial in the proper development of the human being. As the Social Service Co-ordinator I provide Counseling, referrals, arrange for

other agency services, hassle landlords, utility companys, Public Aid, generally act as an advocate for families within the Parent Child Center as well as other residents of the community.

Roxanne Yoast
Social Service Co-ordinator
Near South Parent Child Center

The members of the City of Chicago, Department of Human Services' Near South Parent Child Center and surrounding community thank the Congressional Sub - Committee on Commerce. Consumer and Monetary Affairs, for giving us the "little people ", " the average American ", " the poor", "the unemployed", "the Senior Citizen", "the single parented family", a chahce to be heard directly. We even thank you more for giving consideration to the location of this hearing---- for it would have been a true lesson in the achievment of the impossible, if we would have had to travel to Washington, with the price of transportation being what it shouldn't-----excluding mules, wagon trains and dog sleds.

Everday on the news, in the daily papers, weekly and monthly periodicals, at the the barber shop, gas station, dinner table, supermarket------we discuss, are given statistics, government guidlines, proposals for new programs, told about endless belt tightening------- All in the name of Inflation. But what does it mean to the members of our community, which holds five different housing projects, seven Senior Citizen buildings---whose residents almost exclusively live on one from or another of fixes income? What does it mean when you tell us that inflation has soared at a rate of 13 percent a year and our incomes have increased only 4 percent over the last three? What does it mean to the residents of the King Community Service Area, when we are told that the national savings rate has dropped drastically? What does it mean to the father who heads a family of six, a mother a family of four, that their paychecks have 2 percent less purchasing power than a year ago? What does it mean to the families who participate in our HeadStart programs that the price of ground beef has risen 22 percent, and is now the same price that steak was a year ago. What does it mean to have a child in need of

of crisis medical care, with emergency room fees costing a minimum of $50.00------ for very minimal service. What does it mean to be resposible for providing the Clothing needs of your growing children, but you can't even afford to feed them. I will tell you what it means. It means Despair. It means severe feelings of inadequacy. It means being hungry in "the land of plenty". It means feeling impotent, useless, alienated, misused and abused. It means a young mother of twenty-two, with three children who is a member of Near South Parent Child Center, actually cut her childrens shoes at the toes and wrapped their feet with brown paper secured by a rubber-band, to provide some kind of warmth to the exposed foot, which was at least free, no longer confined in too small shoes. When she approached the Public Aid Worker about having to choose between food and shoes for her children, the worker cryptically asked Mrs. W. was she at all familiar with Marie Antonettes famous saying. It means wondering what could possibly be on a Presidents mind who would knowingly create, support, legislation that would give multi-billion dollar a year companys a windfall profit, when we can't feed ourselves. It means very few bright spots in our everyday existence. Its knowing that there are food pantrys operated by the Department of Human Services. Its knowing that a family enrolled and participating in a Head Start program can at least be guaranteed 2 full meals a day. Its knowing that Food Co-ops like that of Self-Help Action exist, and there is some type of relief--- even if it only facilitates the robbing of Peter to pay Paul. It now means that thirty six families(total family membership of 223 people) belonging to Near South Parent Child Center can now come to program to participate in activity-----not eat. Eight of those families who remain nameless for obvious reasons actually ate Monday through Friday and tried to secretly gather food left over ti take home----- three mothers were seen handing food out the door to their older children so they could eat------ ashamed of their hunger, when the shame was not theirs. At the same time it means questioning whose welfare the Department

of Health, Education and Welfare is concerned about, when the availability of foodstamps for our impoverished, elderly, infirmed is sharply curtailed. It means wondering if anybody took the study on school age and pre school age children seriously, when the experts proved that a hungry child does not learn well------ if anybody took the experts seriously when they proved that feelings of maternal and paternal inadequacy do not provide for effective parents. It means dealing with the vicious circle of " have notism" and wondering will things ever change; ever get better and feeling they never really will. It means wondering why and never getting awnsers to. It means examining the sociological and psychological theorys of prolific minds, examining well intentioned social programs geared at becoming a part of Mainstream America----- and finding these valiant efforts severly wanting, if they cannot stop the elastic prices and the shrinking dollar. It means temperatures set at 55 degrees in the winter and convincing your kids everybody sleeps with a coat on. It means air conditoning has become a sign of the affluent. It means questioning the term Mafia, and sensing the synonymity present with the Natural Gas Companys, Electric Companys, Oil Companys along with 100 other leviathan conglomerates ------ who always insist their only concern is giving customers service while having both hands firmly implanted on the money you have now, plus all you're supposed to get. It means trying to find rational explanations when ther are none, to a mother abd father of a family of five on why there gas was turned off, and the temperature was twenty-two degrees------- two degrees higher than the legal limit when fuel service can be shut off. It means trying to find rational explanations on how a gas company allows a building owner to get 2 years behind in a gas bill, while at the same time tells the small guy, the tenant " we will give you gas service for your apartment , but we will need a deposit of five hundred dollars, and this man"s paycheck is only $277.54 twice monthly. Who are guidlines governing inflation and energy conservation made for? Not us. It means telling the young

professional couple after years of stuggling to earn a Bachelors, Masters,or Phd., That an income of $25,000 a year will just provide the bare necessities of existence, and not attempt to begin to think about reaching the heights of approaching the extras. It means a profound feeling of disillusionment. It means not visiting your grandparents, who are actively involved in their own death process, starving to death on social security--- because if you help them, you take food from the mouth of your own children----which puts you between a rock and a very hard place. It meant watching Mrs. B's body be removed form the Senior Citizen Building and listening to random conversation , about how could she possibly have taken such a large dose of digitalis accidently, since she had been using the drug for years, how could she have made such a mistake-----I knew it was no mistake---- Three weeks ago she'd said " Daughter, just ain't no fight left. Worked hard for near thirty-six year, and now this here security check dont favor feeding mice, less' lone me. Then they throws salts in my wounds by cuttin them stamps." And again I knew it was no mistake.

It means for me and my community pain, suffering, sickness, hunger, death, psychological impotentcy, real inadequacies as the immovable object, the shrinking dollar meets the irresistable force, expanding cost. It means being caught so tight in the grip of ones own ineffectualness to do anything about this monetary behemoth, that the quality of life is impaired. It means reaching the point that nothing or no one matters, and the consequences of negative acts, faulty reasoning could be no worse that the inability to feed ones child. It means that the concept of "life liberty and the pursuit of happiness" has been severly damaged. It means that in a country built on visions, inspiration, creative genius, hope and eternal optimism, that one in that same country today cannot productively cope with the responibilities of their realities---------much less pursue the ever illusive American Dream.

I would like to further document the price our families have paid because of inflation. Names are fictious for obvious reasons.

Mrs. Walters two year old son was burned severly when a can of flaming sterno fell off the kitchen sink which was being temporarily supported by a two by four. Mrs. Walters had been evicted from her 190°° a month four room apartment when it turned condo. As a nurses aid, and sole support of her family (two children), $8,200 a year

was far from adequate to purchase a $38,000 Condominium. Her stove was left in the old apartment, she couldn't pay anyone to move it

---

Mr. London, went to jail for thirty days after stealing food to eat. The money for his C.E.T.A. job was depleted after a year and a half. This is 1979, and people are still hungry enough to steal, and still get sent to jail for being hungry

---

Mrs Crainer, she's a prostitute at night. Her husband was killed three years ago. She has four children to support. Her nine year old is in charge when she goes to "work". By the way, the house she and her husband had been paying notes on had to be liquidated before she could receive a Public Aid Grant. She now lives in a housing project. She was working as the sole support when her husband was killed, he was working on a degree

Mr + Mrs Hauer expressed a need for the program, having become frustrated about their inability to find employment, receiving a flat grant from Public Aid, but the cost of gasoline has soared so Mr + Mrs. Hauer would only drive to program & when received their grant, or when Mr Hauer went hunting.

"La Donna" was pronounced D.O.A at a hospital four weeks ago. ~~Reason~~ Probable cause of death, suspected child abuse; —— but then again you have to be able to get to the help offered if you want benefits

Mr. ROSENTHAL. Miss Ferguson, did you want to say something?
Ms. FERGUSON. Yes, I want to say something.
Mr. ROSENTHAL. Go ahead, please.

STATEMENT OF MELVA FERGUSON, WELFARE MOTHER

Ms. FERGUSON. My name is Melva Ferguson, and I would like to say I am an experienced welfare mother.

I have three kids. I haven't received a check yet since I have been working this job. I have been working this job 3 weeks. They told me I would get paid my fourth week after this job.

Now, before I depend on my job to pay me I have to wait for them to send me my check from welfare. I am sitting up there now, I have to pay $200 for rent; I have the phone bill, gas, light, I have to buy my children food.

If it wasn't for food given to the kids at school in the morning, my kids wouldn't be eating. Now, who is going to help me?

Let me ask you this: When was the last time you all had to want to eat something? How are you all going to sit up here and tell the poor man how to act when they are the ones doing it. Now, I want to know that.

Where is all this money coming from that you all supposed to do to help us better ourselves?

I consider myself trying to do better for me, trying to show my kids to hold up their heads when there is a downfall coming on them. But who is helping me? Who is going to do for me?

I got to go out there and I got to go through changes, I am a woman. Most women get out there, they have to use their bodies to give them $2 to feed their kids. I am not going to do it. But my kids have got to eat.

I have never been outside of Chicago; I wouldn't know what the outskirts of Chicago look like for nothing, I never could afford it.

And then you talk about the people in the projects. What are you all going to do for the people in the projects. You all have these condemned buildings sitting around here in Chicago and everybody wants to spend the money on the Dan Ryan Expressway, give the CTA more money.

Where are you going to get the money from? What is going to happen? Everybody is talking about what they want to happen, but who is going to do something about it?

You know, I was always raised to show action instead of more talk; this is the way I was raised, show me what you want to do.

I can't talk about it no more. I mean everyone that I heard has had a label for their name. I am just a plain simple old housewife, nothing to say and nothing to do but try to do what I can.

I feel the only way you all are going to solve these problems is stop talking about them and go down into the areas instead of sitting here and having people tell you what they are. See the areas for yourselves.

Mr. CONYERS. Give me the mike when you are finished.

Mr. ROSENTHAL. Thank you very much for your testimony, madam, it is all good. Let's give her a round of applause for sharing this. [Applause.]

Mr. CONYERS. Now, the purpose for these hearings, first of all, we are not to come out here and talk the problem to death or pretend that we are going to solve it this afternoon here, out on Ashland Avenue.

The purpose of these hearings as conceived by the chairman of this committee was to make the problems of the people of this Nation real to the 534 other Congressmen in the Senate and the House of Representatives. Now, that may seem like an elementary situation and I want to explain that just a little further.

First of all, there are a number of people in Congress and in the Federal Government and in the administration and in the agencies and, yes, in the White House if you want to, who do not understand what is actually going on. And in this record that we have been compiling in eight cities, nobody will be able to say they don't know; that excuse will be removed thanks to the Subcommittee on Commerce and Consumers that is out here today.

These hearings will be printed, delivered to every Congressman, every Senator, every bureaucrat, so they will read everything that has gone on here today and in seven other cities.

No. 2, we are now getting the gage of what the problems are that need to be addressed and some very good ideas about how to go about addressing them.

All of the wisdom does not reside in Washington, ladies and gentlemen, and we are not too proud to admit that here.

There are people in Chicago and Detroit who don't hold any office or title who have got as much sense about what ought to be done, sometimes more than the people that have the jobs that are trying to do them. [Applause.]

So what we are doing, when we started off we said we want to find out what the problem is and what ought to be done about it, two things.

And all that is going on here, so I think that these hearings here are very, very important because we are going to go back—there are a lot of Members of Congress, in the Chicago area, they are going to read these very carefully and take notes.

There are going to be a lot in New York, when we go into Congressman Rosenthal's city next week, who are going to read it.

We have already been to Detroit, California, Texas, and what we have got to do, it seems to me, is understand that this is a national problem. Everywhere we go it is always local, but it always boils down to the same subject, "We can't take it in an economy where even if you got a job you are not making it." And heaven help you if you are unemployed or living on public assistance.

And that has got to be made clear, because there are people, unfortunately, who still believe that if you are on public assistance you are living the life of Riley. They actually will tell people that; they will make big speeches in Congress—I will send you the record, it is loaded with people who talk like that.

And what we are trying to do is draw up a different picture of reality in the United States so that those of us who want to do the right thing will do it. And that is why we are very indebted to you for being here and working with us on this problem today.

Mr. ROSENTHAL. Thank you both very, very much; that was very, very useful.

We are going to take a 15-minute lunch break and we will reconvene in exactly 15 minutes.

[Whereupon, at 12:05 p.m., the subcommittee was recessed for lunch, to reconvene at 12:20 p.m., the same day.]

AFTERNOON SESSION

Mr. ROSENTHAL. Our next witness is Mr. Jay Hodin. Mr. Hodin, go right ahead.

STATEMENT OF JAY HODIN, EXECUTIVE DIRECTOR, SOCIETY FOR THE PROTECTION OF THE UNBORN THROUGH NUTRITION

Mr. HODIN. Thank you, Mr. Chairman. I am Jay Hodin, the executive director of the Society for the Protection of the Unborn Through Nutrition.

As food prices continue to escalate, those with fixed or limited incomes are the most adversely affected. Without proper food and nutrition, life expectancy is seldom reached, and, more important, the quality of life severely impaired by acute and chronic diseases and a compromised mental and motor function.

Therefore, today I will discuss one of the most devastating consequences of inflation, that of impeding human development.

Our failure to provide all Americans sufficient food and nutrition not only deprives millions of their right to life and health, productivity, and well-being, but is economically catastrophic and contributes further to inflationary trends.

Health care costs, now exceeding $160 billion annually in the United States, continue to increase at a more rapid rate than the gross national product. By the middle of the next decade, if current trends continue, over 15 percent of the gross national product could be accounted for by health care costs.

If accelerated expenditures for medical care succeeded in reducing the incidence of disease and improving the quality of life, they would be cost effective.

However, since the medical ancillary professions, hospitals and the drug industry, primarily serve to treat symptoms of disease rather than to prevent its occurrence, increased health care costs have in general not resulted in improvements in health.

The role of nutrition in preventing heart disease, cancer, diabetes, mental illness, birth defects and other diseases of civilization that significantly contribute to inflation, while recognized by the now defunct Senate Select Committee on Nutrition and Human Needs, private practitioners and various organizations, has been largely ignored by those institutions that profit from disease and disability.

Nowhere is our neglect and myopic perspective more pernicious than in the area of prenatal care. Our failure to recognize the role of malnutrition in human reproductive casualty and to prevent inadequate nutrition among pregnant women, whether due to poverty, ignorance or iatrogenesis, has led to a vast amount of perinatal complications, including metabolic toxemia of late pregnancy; abruption of the placenta; maternal, fetal or neonatal death; and moderate or crippling diseases and disorders, such as mental retardation, cerebral palsy, epilepsy, hyperactivity, learning disabilities, autism, and others.

Our failure to prevent these tragic conditions, which are primarily caused by maternal malnutrition, as has been somewhat documented in other advanced nations, and interestingly, by veterinarians, contributes significantly to rising health care costs and those for rehabilitative programs for those tragically afflicted with the aforementioned largely preventable disorders.

Mr. ROSENTHAL. Mr. Hodin, I think, with your agreement, we are going to put your statement in the record. It is not necessary to read the whole thing.

What we are interested in knowing is, is the problem getting worse? Is it getting better? Is it more acute? What is happening now? That is what we want to know about.

Mr. HODIN. The problem, first of all, is not recognized. We spend several billion dollars more annually on health care in the United States without significant improvements in health.

This is especially apparent in the area of prenatal care when nutrition and proper food plays a much greater role than in the entire life cycle.

And our neglect to provide proper nutrition for pregnant women, whether it be due to poverty or ignorance or other factors, contributes greatly to the inflationary cycle by causing all types of reproductive casualties whether in the forms of mental retardation or many other types of defects, that we now fund on a very large scale.

We think nothing of spending hundreds of millions or billions of dollars in treating children born with these disorders but neglect the fact that these children have a right to be born healthy and probably would have been if we had spent more attention to the diets of their mothers.

Mr. ROSENTHAL. This subcommittee has no jurisdiction in that area.

Mr. HODIN. We have a speaker following myself who will speak on hospital——

Mr. ROSENTHAL. I understand the point that you make, it is sort of preventive medicine. If we took care of the prenatal child, we would spend a lot less money later on with the disabled.

Mr. HODIN. Exactly, exactly.

Mr. ROSENTHAL. This subcommittee has no jurisdiction over that particular area.

Mr. HODIN. But simply by providing the nutritional needs of pregnant women, increasing allowances for them, many departments of public aid, such as our own, do not provide for additional aid until the child is already born. This means of a savings of a few dollars initially is translated into millions of dollars later.

Mr. ROSENTHAL. What you are saying is penny wise and pound foolish.

Mr. HODIN. Yes.

Mr. ROSENTHAL. All right, thank you.

[Mr. Hodin's prepared statement follows:]

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17 N. Wabash, Suite 603 / Chicago, Ill. 60602 / (312) 332-2334

CONGRESS' FEDERAL ANTI-INFLATION FIGHT AND IMPACT ON CONSUMERS: TESTIMONY
Self Help Action of Chicago
5940 S. Ashland, Chicago, IL 60636 May 11, 1979

As food prices continue to escalate, those with fixed or limited incomes are the most adversely affected. Without proper food and nutrition, life expectancy is seldom reached and, more important, the quality of life severely impaired by acute and chronic diseases and compromised mental and motor function. Inflation's role in impeding human development is discussed herein.

Our failure to provide all Americans sufficient food and nutrition not only deprives millions their right to health, productivity, and well-being, but is economically catastrophic and contributes further to inflation. Health care costs, now exceeding $160 billion annually in the U.S., continue to increase at a more rapid rate than the GNP. By the middle of the next decade, if current trends continue, over 15% of the GNP could be accounted for by "health care" costs. If accelerated expenditures for medical care succeeded in reducing the incidence of disease and improving the quality of life, they would be cost-effective. However, since the medical and ancillary professions, hospitals, and the drug industry primarily serve to treat symptoms of disease rather than prevent its occurrence, increased health care costs have, in general, not resulted in improvements in health. The role of nutrition in preventing heart disease, cancer, diabetes, mental illness, birth defects, and other diseases of civilization that significantly contribute to inflation, while recognized by the now-defunct Senate Select Committee on Nutrition and Human Needs, private practitioners, and various organizations, has been largely ignored by those institutions that profit from disease and disability.

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Nowhere is our neglect and myopic perspective more pernicious than in the area of prenatal care. Our failure to recognize the role of malnutrition in human reproductive casualty and to prevent inadequate nutrition among pregnant women, whether due to poverty, ignorance, or iatrogenesis, has led to a vast amount of perinatal complications, including metabolic toxemia of late pregnancy; abruption of the placenta; maternal, fetal, or neonatal death; and moderate or crippling diseases and disorders, such as mental retardation, cerebral palsy, epilepsy, hyperactivity, learning disabilities, autism, and others.

Our failure to prevent these tragic conditions, which are primarily caused by maternal malnutrition, as has been done somewhat successfully in other advanced nations and, interestingly, by veterinarians (who cannot afford to neglect to practice preventive medicine) contributes significantly to rising health care costs and those for rehabilitative programs for those tragically afflicted with the aforementioned largely preventable disorders. As suggested by Ronald Conley in The Economics of Mental Retardation (Johns Hopkins Univ. Press, 1973), today's economic cost of every case of severe mental retardation exceeds $1 million. While such impairment affects those of all socioeconomic classes, low-income individuals, those most likely to be malnourished, are most afflicted. Generally inadequate prenatal nutrition is the predominant reason that 80% of all cases of mental retardation occur among the economically deprived.

Accepting a Supreme Court decision that the legislative definition of a dependent child does not include a fetus, the Illinois Dept. of Public Aid does not provide additional benefits to AFDC recipients or prospective recipients until the child is born. The relatively small amount of money that is saved by depriving those most likely to be undernourished with the additional calories and nutrients they need to satisfy the profound nutritional stress of pregnancy eventually will cost public and private sectors several, if not hundreds, times more in medical and

educational and social rehabilitative costs, not to mention the lessened productivity of the victims of our neglect.

Recognizing that childbirth abnormalities and permanent neurological disabilities are primarily caused by malnutrition during pregnancy, Agnes Higgins, a home economist, established a prevention program in a blighted district of Montreal for the sole purpose of "breaking the poverty cycle." Ms. Higgins, whose pioneering work is discussed in the attachment, demonstrated that poverty was as much a result of malnutrition as a cause of it. Her success in enabling the offspring of the impoverished to overcome their depressive environment by ensuring them their right to possess superior mental faculties should be communicated to health care professionals, sociologists, criminolgists, politicians, and others who generally scrutinize all the major factors of poverty except its predominant root cause: prenatal malnutrition.

Unfortunately, many mistakenly believe that the Federal Women, Infants, and Children (WIC) program is a panacea for eradicating malnutrition during the most critical phases of brain development. However, unlike Ms. Higgins' program, it has no established standards to protect pregnant women and their unborn from the ravages of inadequate nutrition. Consequently, many WIC recipients are not provided the necessary nutritional guidance to complement the supplementary foods they receive and are frequently subjected to iatrogenic malnutrition, as the program makes no provision for mandating physician compliance. Many WIC recipients, therefore, are placed on low-salt, low-calorie diets or weight control regimens and/or are given diuretics or other drugs, all of which jeopardize their health and that of their babies.

Calling attention to our disdain for preventive medicine and our sanctioning expenditures for preventable disorders, the publisher

of the most widely read medical publication (Medical Tribune), Arthur Sackler, M.D., noted: "We are prepared, and we are a rich enough country, to afford $500,000,000 to $2 billion to prolong life for a few years in those with irreversibly damaged hearts and kidneys. Why, then, the incredible neglect annually of many thousands of pregnant women whose malnutrition causes irreversible fetal brain damage and physical anomalies in children who will for a lifetime be a burden to themselves, to their families, and to society? These are preventable conditions due to ignorance and/or lack of the most simple nutritional essentials. We seem fascinated by our mechanical facilities and technologies. It would seem that if a brain transplant were possible, our social and psychic orientation is such that we would be prepared to support a Medicare charge of $20,000 to $25,000 per "transistorized brain" transplant. Why then do we fail to make available a few hundred dollars per pregnancy to assure normal neurologic and general physical development in the unborn?... (It) makes good medical sense- indeed, common sense- and good economics to invest in preventive medicine for the pregnant woman and unborn child- a venture which economically is self-liquidating and less costly than attempts to correct, as we do now, preventable damage and its heavy economic liability."

As inflation continues to overburden those who can least afford the higher food costs, it becomes more and more essential to institute Dr. Sackler's recommendation to provide for the nutritional needs of the pregnant woman and her unborn baby. Unfortunately, technologic obstetrical care has supplanted preventive measures and has added an additional factor to inflation. For example, The National Center for Health Services Research, Dept. of HEW, has determined that fetal monitoring, a procedure that has not contributed to maternal or neonatal health, generates $400

million in unnecessary medical costs.

Thus, a preventive approach to health care, especially with respect to ensuring proper neurological development in future generations, coupled with increased efforts to lessen the impact of inflation of food prices on the most susceptible populations, is hereby advocated as the most effective means of preventing one of the more devastating consequences of inflation.

Respectively submitted,

Jay Hodin

Jay Hodin, Executive Director

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TUESDAY, JULY 4, 1972

Brain cells—cheap

Every intelligent farmer in Canada pays enormous attention to the proper nutrition of the birds and beasts he raises. Canadian governments and the livestock feed industry pay equal attention, constantly conducting research to improve the nutritious qualities of food products and keeping experts in the field to ferret out problems encountered by farmers and correct them. Good feed is a matter of dollars and cents when it comes to birds and beasts.

Canada gives nowhere near the same attention to ensuring that the human population of the country is properly fed. Yet, to take it at its lowest level, there could be a tremendous return in dollars and cents if Canada did.

Agnes C. Higgins, director of the Montreal Diet Dispensary, and her staff of dietitians, have since 1963 produced conclusive proof of what proper feeding can do. Canada has not been greatly interested in her work, but recently the report of herself and her colleagues on the Montreal experiment was one of five nutrition papers chosen for presentation to the International Congress of Endocrinology in Washington.

Mrs. Higgins based her work on the research of others which had proved, among other things: that it was risky to the baby to try to keep the mother's weight during pregnancy fashionably down; that mothers who were well nourished during the last 15 weeks of their pregnancies produced bigger babies; that bigger babies (7 to 8½ pounds are considered the best weights) tend to have more brain cells than smaller babies; that small babies have drastically increased rates of stillbirths, deaths in the first weeks and months of life, cerebral palsy, mental retardation and lowered intelligence.

Functioning from this knowledge Mrs. Higgins and her colleagues went to work on some of the most deprived mothers in Canada, women from two public clinics in poverty-stricken areas of Montreal.

Between 1963 and 1971 their study group included 1,725 mothers. Of these, 1,055 had five years of education or less, 1,184 were so poor that they were entitled to food supplements, 515 of the pregnancies were illegitimate. Not a promising group, one would have thought; yet only 5 per cent dropped out of the course.

On her first visit to the clinic each mother was assessed on the basis of income and diet. If her income was large enough, she was told what she should eat and given a standard mineral and vitamin supplement.

If her income was too small—and the incomes of 67 per cent of the mothers were too small—she was given food supplements of milk, eggs, oranges and the standard minerals and vitamins. Her needs were carefully calculated to take into consideration underweight, protein deficiency, shortage of calories and special conditions of stress.

All mothers were visited at least once in their homes. Mothers receiving food supplements were counselled every two weeks at the Diet Dispensary; mothers not receiving supplements were counselled at their regular medical visits to the clinic. All received the same medical attention as others attending the same clinics, except that their doctors agreed not to use drugs to keep the mother's weight down. The average food intake increased by 531 calories a day and 32 grams of protein. The mothers gained more than the average in weight during pregnancy (without meeting obstetrical difficulties) and their babies were bigger.

The average birth weight for these babies was the same as for babies born to private patients in the same hospital. The record for premature births and for early death was as good as that for private patients, and significantly better than for other public clinic cases who had not had the diet treatment, and significantly better than the Canadian average.

A single family can perhaps most graphically paint the picture. A 29-year-old mother had borne 11 children. The first eight were born without diet assistance, and all had small birth weights. One died at the age of one month. For her last three pregnancies the mother had diet assistance, and these three babies all weighed within the ideal range.

A physical and mental assessment of all the children was done at Montreal Children's Hospital. The last three children were found to be normal. All of the others were found to be disadvantaged and likely to require support off and on through life.

It cost the public $125 to give the mother diet assistance, including the free milk, oranges, eggs and vitamins, for each of her normal babies. The cost to the public of maintaining a defective child throughout life in an institution or in the community is more than $100,000.

It would pay us a thousand times over—in dollars and cents—to apply Mrs. Higgins' good sense and compassion to all of Canada's poor.

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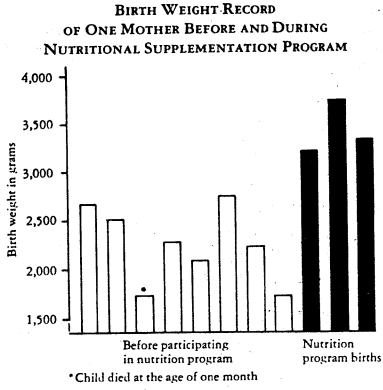

This figure indicates the birth-weight record of the 11 children of a 29-year-old mother. Although all of the children were born in the same hospital, the mother participated in the Montreal Diet Dispensary's prenatal nutrition program only during her last three pregnancies. The birth weight of the smallest of the woman's last three children was 1 pound 1 ounce more than that of the largest of her first eight children.

Besides demonstrating the profound relationship between nutrition and birth weight, this case illustrates the effectiveness of maternal nutrition in preventing newborn neurological damage. A physical and mental assessment at the Montreal Children's Hospital determined that all of the first seven surviving children were neurologically handicapped. In contrast, the three who were well nourished in utero are normal. To date, more than $300,000 has been spent in rehabilitative services for the neurologically impaired children...substantially more than the Diet Dispensary's cost of $125 to provide for normal development.

Agnes Higgins, founder and Executive Director of the Montreal Diet Dispensary (2182 Lincoln Avenue, Montreal, P.Q. H3H 1 J3), has demonstrated that proper prenatal nutrition can break the intergenerational poverty cycle. While most public health authorities recognize that poverty causes malnutrition, few comprehend the significance of the work of those pioneers who, like Ms. Higgins, have shown that malnutrition can cause poverty. Even though 72% of the Diet Dispensary's participants had incomes below the Canadian poverty level and 61% of them completed less than six years of formal education, their perinatal death rate was 48% less than Canada's.

By assessing nutritional requirements on an individual basis based upon previous nutritional status, weight, stress, and other factors, the Diet Dispensary's program demonstrated that expectant mothers generally require a more substantial diet than the Recommended Daily Allowances indicate. Although the program provided nutrition education and, in two-thirds of the cases, nutritional supplementation for an average of less than half of the prenatal period, it significantly lowered perinatal death ($p<.001$) and the incidence of low birth weight (children weighing under 5 1/2 pounds at birth). The incidence of underweight births among Diet Dispensary participants was substantially lower than that of other public patients who received care at the same hospital ($p<.005$). The low birth weight rate of expectant mothers under age 18, who are reputed to be "high risk," was only 3.3%, which is much less than one-third of the U.S. rate.

Even adjusted for other variables, birth weight was highly associated with the length of time women participated in the nutrition program. The average birth weight of children born to those who received nutrition education and (in most cases) food supplementation was 7 pounds 7 1/4 ounces--more than 3 1/2 ounces greater than that of women who received private obstetrical care at the same hospital. Children born to those mothers who exceeded their protein requirement (as determined by the MDD) by more than 15% weighed an average of 7 pounds 10 ounces at birth. The program's effectiveness was also reflected in the significantly higher birth weights among MDD births than those of siblings, whether older or younger.

For more information on the protective effects of prenatal nutrition, contact the Society for the Protection of the Unborn through Nutrition, 17 N. Wabash - Suite 603, Chicago, Illinois 60602; phone (312) 332-2334.

Mr. ROSENTHAL. Thank you. Mr. Ivancevich.

STATEMENT OF ROBERT E. IVANCEVICH, EXECUTIVE DIRECTOR, ILLINOIS STATE COST CONTAINMENT COMMITTEE

Mr. IVANCEVICH. I am the executive director of the Illinois State Cost Containment Committee, also known as the Illinois Voluntary Effort To Contain Health Care Costs. I am here to give my views on the failure of the Federal Government in their efforts to control inflation.

At the same time, I think it is encouraging that there is a successful voluntary program operating in the economy now, and it is controlling one sector of the economy and the inflation in that economy.

The Illinois Voluntary Effort To Contain Health Care Costs has reduced the rate of inflation in hospital expenses in this State from 14.7 percent in 1977 to 8.4 percent in 1978.

I'm sorry for Mr. Murphy; in his congressional district that rate was reduced from 13 percent to 9.8 percent; and in Mrs. Collins' district, whom I know is a member of the committee, the rate was reduced from 11 percent to 7.3 percent in that same period.

The Voluntary Effort in Illinois is part of a national program that is sponsored by the American Hospital Association, the American Medical Association, and the Federation of American Hospitals. There is a national steering committee comprised of doctors, hospitals, hospital trustees, consumers, labor representatives, and people from the business community.

At the Illinois level, our State Cost Containment Committee represents the unprecedented cooperation of physicians, hospitals, and hospital trustees representing the committees served.

Over 90 percent of the governing boards of the hospitals in Illinois have passed resolutions directing the chief executive officers of those hospitals to use all reasonable means to keep operating expenditures and capital budgets on the lowest level on a continuing basis consistent with sound medical practice.

We feel that the Federal Government's attempts to date to control inflation in the general economy has been a dismal failure. Since the announcement of the Government's program, inflation in most sectors of the economy has skyrocketed to double-digit proportions and has been sustained there. We also feel that part of the problem is that the Government is inept in controlling inflation and also is exercising a schizophrenic economic policy.

For example, while they preach the gospel of voluntary restraint and control, there has been introduced the Hospital Cost Containment Act of 1979, which amounts to a wage/price/revenue control over hospitals.

This proposal would result in nothing more than an irrational, ridiculously complex, impossible to administer, and unnecessary regulatory control measure.

It should be axiomatic that to control the economic activity of one industry, hospitals in this case, you cannot do it without controlling the other sectors of the economy that provide goods and services to that industry.

Our Voluntary Effort was indeed created in response to a challenge by Congressman Rostenkowski to control inflation in our industry.

And we have done just that.

As I said, by reducing the rate of increase in hospital expenses in Illinois, over $200 million in hospital costs that otherwise would have been spent with a status quo rate of increase have been saved.

These savings resulted from a number of innovative programs including group purchasing, which in Illinois saved $25 million in 1978, shared services, management engineering, increased productivity, and alternative service modes.

One program, for example, at Rockford Memorial Hospital, encourages outpatient surgery as an alternative to inpatient surgery, saved in excess of $1.3 million over the past 4 years alone.

Mr. ROSENTHAL. What took your industry so long in coming to grips with this situation?

Mr. IVANCEVICH. I am not sure that the way we report the apparent inflation in the hospital industry is well enough understood by the consumer or by all Members of Congress.

The period that is traditionally measured by Secretary Califano and used by the President, is a period following the release of the economic stabilization program on hospitals.

This period is artificially inflated in that the ESP program was kept by Government on hospitals 18 months longer than it was on other sectors of the economy. Hospitals, which are just as subject to inflationary pressures of goods and services, energy, supplies, and so on, took the period of time following that release of the ESP program to catch up.

The rate increase is reducing now, and I remind you that the congressional budget has increased 440 percent in the last 10 years, HEW's budget has increased 350 percent, and by law the deduction from my paycheck for FICA has increased 330 percent, but a hospital room has increased slightly over 200 percent in the last 10 years, if you take the 10-year period. I think it is important to put this in the proper perspective.

Mr. ROSENTHAL. 200 percent, it has doubled or what?

Mr. IVANCEVICH. It has tripled.

Mr. ROSENTHAL. In how long a period of time?

Mr. IVANCEVICH. In a 10-year period, a hospital room.

Now, on the other hand, when you talk about the hospital product, you are talking about something that is dynamic and that is continually being changed.

For example, if I were to buy a domestic subcompact car in 1978 for $4,000, and in 1979 buy a foreign sedan for $16,000, it would be inappropriate for me to assume that the cost increase in a car is raised 500 percent in 1 year.

In the same vein, the hospital product is changed over time. Ten years ago the average length of stay——

Mr. ROSENTHAL. Is it your testimony that hospital costs have not risen disproportionately in relation to other costs; is that your testimony?

Mr. IVANCEVICH. The point of my testimony is that it is time the Federal Government turns its attention to the real problem, energy, housing costs, and food cost, and I think that while the Consumer Price

Index is not exactly the best measure of the medical component of the economy, the recent trends in the Consumer Price Index would indicate that the problem is nowhere near as great with medical care costs as it is with housing, food, and energy.

Mr. ROSENTHAL. Thank you. I want to thank both of you very much.

[Mr. Ivancevich's prepared statement follows:]

Illinois Hospital Association (312) 325-9040
Illinois State Medical Society (312) 782-1654
Federation of American Hospitals

The Illinois Voluntary Effort

STATEMENT OF THE ILLINOIS STATE COST CONTAINMENT COMMITTEE:
THE ILLINOIS VOLUNTARY EFFORT TO CONTAIN HEALTH CARE COSTS

BEFORE THE SUBCOMMITTEE ON COMMERCE, CONSUMER AND
MONETARY AFFAIRS

OF THE

HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

ON

THE ISSUE OF THE FAILURE OF THE GOVERNMENT
TO CONTROL INFLATION

Mr. Chairman, I am Robert E. Ivancevich, Executive Director of the Illinois State Cost Containment Committee, aka the Illinois Voluntary Effort to Contain Health Care Costs (VE). Thank you for providing us the opportunity to present our views on the failure of government to stem inflation. At the same time, however, we wish to share the success of a voluntary program, initiated by the private sector, that is stemming inflation in one sector of our economy. That program, the Illinois Voluntary Effort to Reduce Health Care Costs reduced the rate of inflation in hospital expenses over 6 percentage points in one year, from a rate of 14.7% in 1977 to a rate of 8.4% in 1978.

The Illinois VE was created in late 1977 as an affiliate of a national program created by a National Steering Committee including not only physicians and hospitals but also members of the business community, and labor and consumer representatives. The program is sponsored by the American Hospital Association, the American Medical Association and the Federation of

American Hospitals. The Illinois Voluntary Effort represents the unprecedented cooperation among physicians, hospitals and hospital trustees representing the communities served by those institutions. In Illinois, over 90% of the hospitals' governing boards have passed resolutions directing the chief executive officers to use "all reasonable means to keep operating expenditures and capital budgets at the lowest level on a continuing basis consistent with sound medical practice" and in "the continued spirit of voluntarism and self-determination". Government, federal, state or local is not a participant in the VE.

Federal Efforts To Voluntarily Control Inflation

The federal government's attempts to date to control inflation in the general economy have been a dismal failure. As a matter of fact, since the announcement of the program, the inflation rate has soared to double-digit proportions and has sustained that level. We believe that the failure by government to control inflation is symptomatic of the absence of federal expertise and the presence a schizophrenic economic policy. For example, while on one hand the administration is preaching a gospel of federally-encouraged voluntarism, it has singled out the health care community and has introduced legislation, the Hospital Cost Containment Act of 1979, which amounts to a wage/price/revenue control over the hospital industry. This proposal is nothing more than an irrational, ridiculously complex, impossible to administer, and unnecessary additional regulatory control measure. Furthermore, it should be axiomatic that it is impossible to control the economic activity of one industry (hospitals in this case) without similarly controlling the sectors of the economy that supply that industry with goods and services.

We believe that the real potential for tempering inflation while providing for continued economic growth resides in the private sector with labor, enterprise and consumers. Government "inflation fighters" have tried their hands and failed.

The Voluntary Effort: A Non-Governmental Program That Works

The VE was created in response to a challenge by Congressman Dan Rostenkowski to the hospital community to voluntarily control costs in lieu of enactment of mandatory controls. The program is unique in that it is the only industry in the economy united, with a specific program to control inflation. It is doing just that. At the national level, the rate of inflation in hospital expenses between 1977 and 1978 was reduced from 15.6% to 12.9%. In Illinois the reduction in one year was more than six percentage points, from 14.7% in 1977 to 8.4% in 1978, considerably better than the national rate. This amounts to a savings of over $200,~~000~~ million in hospital costs in Illinois.

These savings resulted from numerous innovative programs including group purchasing (which alone in 1978 saved an estimated $25 million in Illinois), shared services (laundry, computer systems, laboratory), management engineering, increased productivity, and alternative service modes. For example, at Rockford Memorial Hospital a voluntary program of outpatient surgery has saved consumers over $1.3 million over the past four years. One example is adult hernia surgery. Where medically indicated, performance of this procedure on an outpatient basis has saved over $250 per procedure. The percentage of total hernia operations performed on an outpatient basis at Rockford Memorial has increased from 25% in 1974 to 52% in 1979. In addition, most

hospitals have created cost containment committees consisting of administrators, physicians, trustees and department managers. Attached as an addendum are synopses of a few efforts taken by Illinois hospitals to contain costs.

Besides involvement in hospital cost containment committees, physicians have also initiated programs to contain costs. A series of workshops sponsored by the Illinois State Medical Society entitled "How the Medical Staff can Respond to Cost Containment Efforts" focuses on providing doctors suggestions as to means by which they can become more cost-effective. Also, a "Physician's Cost Containment Checklist" that reminds doctors of the many ways they can contribute to efforts to contain health care costs has been distributed to members of the Illinois State Medical Society. Another effect of the Voluntary Effort is a commitment on the part of physicians to limit the rate of increase in their fees. While this data is more difficult to gather, preliminary indications are that fees increased at similarly lower rates in 1978.

In order to better understand this success and the effect of the Voluntary Effort on health care costs, one must also understand the unique nature of health care economics.

Hospital Expenditure Increases

Hospital expenditure increases are complex. Often viewed as solely inflationary, they result from three factors: increases in goods and services purchased by hospitals, increases resulting from a large and older population and increases resulting from a continuous improvement and enhancement of the "hospital product". These factors make it misleading to absolutely compare changes in hospital expenditures to the rate of inflation in the

general economy.

The failure of the government's economy - wide anti-inflation program will impact the inflation in the hospital "market basket". Unfortunately, a large part of that basket is weighted by items that have been experiencing high inflation rates and which the government has been especially inept in controlling. These include energy, food, interest rates and labor costs.

In addition, the population is both growing and getting older. This results in higher utilization of the health delivery system, and therefore in higher expenses.

Finally, the health care product is continually improving and being enhanced. Advancements in technology and service improvements are the products of a continuing national commitment an investment in biomedical science.

Twenty years ago the average stay in a hospital for a mother at childbirth was 10 days. Today the stay is only 3 days. Just as it would be unrealistic to assume that the cost of an auto rose 400% in one year if a domestic subcompact were purchased in 1978 at $4,000 and a foreign sedan was bought in 1979 at $16,000, it is inappropriate to measure inflation in the "hospital product" by tradition standards such as the CPI, since the intensity and nature of the product is continually being improved.

Regulation

The health care industry is second to none in the volume and level of regulation already imposed upon it. One recent study in New York indicated that more than 150 federal, state and local agencies regulate hospitals. With few exceptions, these have no effect on the level of health care services provided, but the cost of complying with these regulations is estimated to be 10% to 20% of all hospital costs. If the Carter Administration has its

way with respect to "inflation fighting" in health care, an additional tier of regulation will be steeped upon hospitals, again at the expense of patient care.

Bases Of Payment For Hospital Services

Another aspect of hospital economics and of understanding the effect of the VE on health care costs is the basis upon which hospitals are paid for services. Consumers are generally unaware that with few exceptions the hospital charges they see on their bill at discharge are not what the hospital is paid. Hospitals establish their charges based upon their financial requirements to meet direct and indirect expenses, retire debt, fund for replacement of plant and equipment, provide charity care, and prepare for unforeseen contingencies. Major payors, including Blue Cross, Medicare and Medicaid negotiate the method by which they will pay for services rendered to their beneficiaries. In Illinois, 80% of all payment to hospitals is based upon negotiated rates related to the cost of providing services and not to the full financial requirements of the hospital. With respect to the federal programs, Medicare and Medicaid, hospitals incur a significant shortfall between what is paid and what are the financial requirements of providing the services. This shortfall is met by the self-payor, Blue Cross and commercial insurance companies.

With respect to the effect of the Voluntary Effort on the cost to the consumer, since most hospital payment is somehow related to hospital expenses, a reduction in the rate of increase in the expense level of hospitals will have a concommitant reduction in what the payors are paying the hospital in behalf of the consumer. Further, since patient care expenses are related

to charges, a reduction in the rate of increase in expenses results in a reduction in the rate of increase in charges also.

Inflation

Up to this point, only data gathered by the VE has been considered. While we stated earlier that the CPI is not the best measure of what is happening with health cost inflation, it nevertheless represents trends in the economy and can (identify) problem areas that need to be addressed by public policy. It should be noted that the reduction in the rate of hospital expense increases over the last 16 months in the nation and Illinois as demonstrated by VE data is reflected in the CPI which shows a coincidental reduction in the rate of the medical and hospital care component of the Consumer Price Index. As a matter of fact, the March consumer price index reflected national increases in food and housing costs at rates of 12.8% and 10.6% annually, while the medical care component is increasing at a rate of only 9.5%. In Chicago, where the effect of the Illinois Voluntary Effort can be readily observed, the annualized rate of increase for housing and food was 12.8% and 12.4% respectively. However, the inflation rate in medical care services continued the trend of being significantly lower than food and housing; actually declining to an annual level of 8.2%, comparable to the 8.4% rate of increase for hospital expenses as measured by the VE.

Conclusion

We believe that this Voluntary Effort which includes nothing more than the initiative of the private sector, represents the basic spirit of self-

determination that is so important to our American tradition. We believe that the rest of the economy has a significant lesson to learn from our experience, both in terms of the service that can be provided to the common man through voluntary initiatives and the success we can enjoy when we rely upon our own strengths rather than for government to interpose itself into our every-day lives anymore than it already has. The failure of government's approach to inflation control is that the government is inept at pursuing programs that are voluntary and self-determining.

It's time we stopped viewing hospital bills as the villain fueling the fires of an inflationarey economy when the evidence is indicating that we are the victims of inflation--not the causes of it. We need to endorse and support the sincere and positive efforts being made to reduce costs while maintaining quality patient care, and other industries should follow the lead of our health care people.

The Carter Administration's motive in seeking enactment of the Hospital Cost Containment Act of 1979 cannot be considered an effort to stem inflation but rather an effort to recover from last year's embarrassing setback when Congress rejected the 1977 Carter hospital cap outright. We submit that Congress must turn its attention to the real problem areas, including energy, housing costs and food costs and stop spending time on an industry that has proven it can control itself without jeopardizing the quality health care demanded by our communities. Thank you.

ADDENDUM TO TESTIMONY OF MAY 11, 1979 PRESENTED BY THE ILLINOIS VOLUNTARY EFFORT TO CONTAIN HEALTHCARE COSTS BEFORE THE CONSUMER SUBCOMMITTEE OF THE HOUSE COMMITTEE ON GOVERNMENT OPERATIONS CHICAGO, ILLINOIS

Illinois

The cost containment committee at Blessing Hospital, Quincy, emphasizes employee awareness and practice of cost containment. Employee publications stress safety, proper use of equipment, and time usage. In January 1976, all Blessing Hospital employees were urged to attend a film on energy conservation.
(Sue Elmore, administrative assistant)

As part of its cost containment public information program, Illinois Masonic Medical Center, Chicago, has issued a Report to Community Groups and Individuals Interested in the Cost of Hospital Care. The seven-page document discusses cost savings in four general areas—management, outside services, equipment, and purchasing—and explains each project and the dollar amount saved. Activities include a shared data processing service at a $200,000 annual savings, installation of a Public Aid Master File inquiry terminal and printer at an estimated savings of $70,000 to $100,000, and installation of an industrial washer and dryer for mops at a savings of $40,000. Total savings from the cost containment activities for the current year is approximately $1 million.
(James R. DeNoyer, director, Public Relations)

Swedish Covenant Hospital, Chicago, created a formal cost containment committee in February 1977 to coordinate hospital activities. The committee, which includes medical staff representation, is active in long-range planning, scheduling of patients and patient services, utilization of existing facilities to react to short-term trends, manpower planning, and expenditures for goods and outside services.
(Carl F. Bostrom, chairman, Cost Containment Committee)

Illinois

Taking advantage of the Unemployment Compensation Administration Program of the Chicago Hospital Council saved Memorial Hospital of Du Page County, Elmhurst, $5,000 in the first 10 months during 1976-77.
(Robert Magnuson, executive director)

Illinois

The director of plant operations at Blessing Hospital, Quincy, selected a team of persons who surveyed the entire hospital to determine where energy was being wasted. Following are some of the energy and cost-saving activities implemented at the hospital as a result of the survey:

- All employees were instructed to turn off lights in rooms that would be unoccupied for 20 minutes or longer and to turn off heating and cooling equipment manually wherever possible (estimated yearly savings: $3,700).

- Maintenance personnel removed one-half of the tubing in fluorescent lights wherever possible (annual savings: $48,180).

- A power demand load controller was installed at a cost of $4,300 to gradually reduce the heat and air systems when they begin reaching maximum consumption (estimated annual savings: $7,790).

- To increase the efficiency of each continuously run motor of five horsepower or more, a capacitor has been installed on each at a cost of $7,075. Motors that formerly operated at only 65 to 70 percent efficiency now operate at 90 to 50 percent efficiency (annual savings: $6,367).

(Sue Elmore, administrative assistant)

Illinois (cont.)

National recognition has been given to Lutheran General and Deaconess Hospitals, Park Ridge, for its energy conservation program. A reduction in the use of gas and electricity saved the hospital $61,000 in 1976. The hospital anticipates saving $4,000 a year through another conservation measure—the bulk purchase of gasoline for hospital vehicles.
(T. L. Jacobsen, executive vice-president)

Both heat and light energy conservation measures have been stressed at Swedish Covenant Hospital, Chicago, during the past year. Footcandle reductions of up to 50 percent have been realized in nonpatient areas of the hospital.
(Carl F. Bostrom, chairman, Cost Containment Committee)

Illinois

Through its home care program, Lutheran General and Deaconess Hospitals, Park Ridge, can discharge patients who no longer require the hospital's acute services but remain in need of care. The hospital estimates that its home care staff will make 2,808 visits during the fiscal year 1977-78. This will reduce patient days by more than 700 days at an estimated savings on $145 per day. Using these figures, the availability of the home care program will save the hospital's patients in excess of $100,000 this year.
(T. L. Jacobsen, executive vice-president)

Illinois

Memorial Hospital of Du Page County, Elmhurst, found two ways to cut insurance costs by more than $300,000 in 1976-77. Malpractice insurance coverage was reduced from $19 million to $10 million for a savings of $285,000 in premiums. A change in the Illinois workman's compensation law allowed the hospital to save $24,000 by self-insuring for workman's compensation.
(Robert Magnuson, executive director)

Illinois

Since August 1975, Blessing Hospital, Quincy, has been compiling a chart of savings achieved and avoidable costs incurred by department. The chart has been displayed in the employee cafeteria.
(Sue Elmore, administrative assistant)

Michael Reese Hospital and Medical Center, Chicago, has realized significant savings from three separate programs. The institution has reduced its annual photocopy expense by $70,000 by eliminating 45 percent of its machines and using more cost-effective equipment. By subcontracting its dietary and housekeeping operations, the hospital anticipates annual savings of $400,000 and $700,000, respectively.
(Arthur A. Kay II, assistant to the vice-president for Finance)

Illinois (cont.)

Swedish Covenant Hospital, Chicago, participates in the AHA's HAS program to compare relative costs of operations with the costs in similar hospitals. By monitoring and reviewing the HAS reports, the hospital discovered it had a comparatively high cost for dietary services and began an independent study to determine how to reduce those costs.
(Carl F. Bostrom, chairman, Cost Containment Committee)

Illinois

Through its materials management program, Lutheran General and Deaconess Hospitals, Park Ridge, has realized a total savings of more than $300,000 for fiscal year 1976-77. This consisted of $250,000 saved by requiring competitive bidding for all major purchases and projects; $25,000 saved through prime vendor agreement and group contract purchasing arrangements; and $30,000 saved through the hospital's efforts in evaluation and standardization. In addition, the hospital takes advantage of the Chicago Hospital Council's group purchasing program.
(T. L. Jacobsen, executive vice-president)

Illinois

As of June 1977, Michael Reese Hospital and Medical Center, Chicago, has saved the equivalent of more than $4 million by not filling vacant staff positions and has placed qualifications on the future filling of these positions. Over the next four quarters, approval to fill the positions will be granted only if the operating departments stay within their budgets and if the medical center's overall financial situation continues to improve.
(Arthur A. Kay II, assistant to the vice-president for Finance)

Illinois

Lutheran General and Deaconess Hospitals, Park Ridge, established a Utilization Review Committee in May 1972. The activities of that committee reduced average length of stay in the hospital by three-tenths of a day during fiscal year 1976-77 for an estimated savings of more than $1 million.
(T. L. Jacobsen, executive vice-president)

Illinois

Blessing Hospital, Quincy, relaized savings of $136,364 in fiscal year 1975-76 and $150,000 in fiscal year 1976-77 from a number of plant operations cost containment measures. Following is a partial list of those measures (with estimated savings over two years):

- Use of in-house construction crew rather than outside contractor (labor savings: $200,080).
- Purchase of construction materials directly rather than through a contractor (material savings: $12,100).
- Installation of a computerized memory bank (cost: $12,300) programmed to automatically shut off all ventilating equipment for six minutes per hour during the day and for longer periods at night (savings: $25,400).

(Sue Elmore, administrative assistant)

Savings of $50,000 per year are expected by Lutheran General and Deaconess Hospitals, Park Ridge, as the result of hiring a locksmith and electrician rather than purchasing these services from local craftsmen. (T. L. Jacobsen, executive vice-president)

Illinois

Lutheran General and Deaconess Hospitals, Park Ridge, has a preadmission testing program that provides routine pre-operative testing of patients prior to admission to the hospital for surgery. The hospital estimates that 0.2 patient days of service per patient are saved each time the program is used. Based on the expected use of this alternative approach to delivery by 2,700 patients this year and on the per diem inpatient rate of $122, the hospital estimates that over $500,000 will be saved this year.
(T. L. Jacobsen, executive vice-president)

Annual expansion of the Family Health Clinic for outpatient services has reduced total costs to the people served by Swedish Covenant Hospital, Chicago. Outpatient visits to the Family Health Clinic have more than doubled in five years.

Emergency room, laboratory, radiology, respiratory therapy, and cardiac rehabilitation outpatient services have increased at a substantially higher rate than inpatient services. Since 1972, inpatient visits to Swedish Covenant Hospital, Chicago, have increased by 10.9 percent while outpatient visits have increased by 66.8 percent.
(Carl F. Bostrom, chairman, Cost Containment Committee)

Illinois (cont.)

Memorial Hospital of Du Page County, Elmhurst, has made materials management an important part of its cost containment program. By participating in the Chicago Hospital Council's group purchasing program, Memorial Hospital saved $113,000 in 1976-77.

An additional $23,500 was saved by the elimination of the "rounder," an automated device used to measure the patients' temperature, pulse, and respiration. (Robert Magnuson, executive director)

Cost containment initiatives used by Swedish Covenant Hospital, Chicago, include the receipt of discounts on equipment, supplies, and food. These discounts are made possible through the purchasing power of the Chicago Hospital Council and the restaurant food buyers group.
(Carl F. Bostrom, chairman, Cost Containment Committee)

St. Francis Hospital, Evanston, IL, has a cost containment committee that meets monthly to review hospital operating reports; discuss new ideas; and solicit new ideas from hospital employees, medical staff, hospital staff, and other interested individuals. Current projects include a standardized departmental cost-reporting and productivity-reporting system. Price sheets are on every medical chart so that physicians can see the cost to the patient of various tests and therapies. In 1976 and in 1977, the hospital's annual operating budget increased only 7 percent, with no cutbacks in service.

Blessing Hospital, Quincy, IL, has saved $88,215 since 1972 through an energy conservation program based on efficient use of air-conditioning units. In addition, the hospital has established a five-step energy management program that will affect the entire hospital's energy use.

(Lawrence L. Swearingen, administrator)

Community Memorial Hospital, Monmouth, IL, has instituted the following activities to reduce energy consumption and costs.

- Reducing the firing rate of boilers from 12,500 cubic feet per hour to 10,500 cubic feet per hour of natural gas.

- Installing a heat exchanger in the boiler automatic blow-down waste-water line to preheat feed water before it enters the deaerator.

- Lowering the temperature to 60° in unoccupied rooms and storage areas in the winter.

These measures have resulted in a documented 32.5 percent reduction in natural gas consumption. The hospital is also converting its outside and security lights from incandescent to low-pressure to reduce outside lighting by 80 percent.

(Roger E. Gurholt, administrator)

Mr. ROSENTHAL. Our next witness is Nezzie Willis. Ms. Willis.

STATEMENT OF NEZZIE WILLIS, WELFARE RIGHTS ADVOCATE

Ms. WILLIS. Good afternoon. I will speak very briefly because I am a welfare recipient, and I don't have all those fancy numbers or anything, but I would like to say speaking as a welfare recipient as myself, that since the food prices and the housing comes out as thick as my check, that we are really in a pinch now.

If we pay our whole rent, we do not have enough money to help out; with the free food stamps what we are given, it is not enough for us to feed our children for a whole month.

That makes us not be able to pay the light bill or the gas bill.

And in essence, if we pay Peter, we rob Paul; we pay Paul, we rob Peter.

If we have children going to school, we cannot afford to send them to school many times because of clothing, and they would need heavy clothing, we have to spend that money for food or we have to spend that money for rent. Because there is no such thing as a ceiling on the rent, and we get a fixed income. Not only the welfare people, but any person that get a fixed income, they are really in a pinch now because we cannot say how much a person can charge us for rent. We have to live where we can.

I would like to say to you I hope that you all will consider trying to find some ways and to, I don't know, control the inflation or something, because we are really suffering.

I think in your letter you mentioned something that you would like us to say as some kind of a way out.

I have four things that might be considered, and I know that you are going to frown. but I still am going to say it.

For a family of four, I would like to see that you consider like $75 a week for food. I don't care whether it is food stamps or what, but $75 a week.

As for the third, I would like to say as far as if you don't consider the $75 a week that you would consider giving a family of four $125 per month per person that would help them with inflation, with rent and other kinds of things.

There is another kind of thing that you could also consider which is trying to help provide jobs, because every ADC person or every person that is on a fixed income is not lazy. Many of these people would like to work but there is no job, there is no money to go out and look for a job even if there is a job that you could get. You don't have the money to go out and look for it.

So what I am saying is that if we can get enough money that we could have to feed our children and ourselves, to pay our rent so we wouldn't have to live in all of these dilapidated buildings that causes your health costs to go up and all that kind of stuff, I think we would be better off.

I thank you, and I gave 10 copies of my statement.

Mr. ROSENTHAL. Thank you very much.

[Ms. Willis' prepared statement follows:]

TESTIMONY: South Austin Community Organization
5414 West Madison Street
Chicago, Illinois
(312) 379-8232

PRESENTATOR: Mrs. Nezzie Willis,
Welfare Rights
Advocate

INFLATION, BUDGET, AND WHAT'S HAPPENING TO PEOPLE

The increased pressure of inflationary cost, cutbacks in funding of social programs and other factors which cause "the shoe to pinch" has given rise to the question, "What's happening to people?" In order to speak to this question, I must state at the outset that my concern is with the poor people whos lives are most affected by the circumstances and conditions of these ongoing and often abrupt changes. As a poor person, a long time poor peoples and welfare rights advocate, I have both experienced and remained in constant touch with the conditions under which we have been forced to survive.

It is no deep dark secret that we are in the midst of an inflationary crisis period, therefore, I shall focus my comments solely on the effect as it relates to us, the poor people. Within the past year the inflationary increases in the basic necessities like food, clothing, utilities, and shelter cost have reached an all time high and continues to climb. Where does this leave us, the poor people?

Poor people such as welfare recipients and senior citizens who are forced to live on fixed incomes must "rob from Peter to pay Paul" as the saying goes, and still be left with an unbalanced budget. For example, a family of four living on $333.00 check per month from welfare, must provide for all of the family's needs. The actual rent for a habitable dwelling is approximately $225.00 and over per month. The family must live somewhere, they certainly cann't dictate the landlord's price. Therefore, this family's cash budget for the month has been reduced from $333.00 to $108.00 with only the rent paid. (Is is any small wonder that we are constantly on the move or being thrown out?) If the rent is paid, the family is left to attempt to survive on this small amount of money. There

is still the matter of the other essential expenses such as utilities, clothing and food that must be provided for the family. With the energy crisis being what it is, the utilities bills usually exceed the balance of the cash budget. Almost always in any given month a family with growing children must expend some money for shoes and other wearing apparel.

By the way, certain other incidental cost are incurred by the family, for instance, in order to cash the welfare check the family usually pays a currency exchange fee that averages at least $1.00 per $100.00; if there are high school age children in the family, they incur transportation cost to and from school as well as other school fees.

Next let us focus, on the food for the family. As of January 1, 1979 due to changes in the regulations this family no longer had to purchase food stamps out of their welfare grant; they supposely receive free food stamps. Under the old system this family of four receiving $333.00 would have been able to purchase $182.00 in food stamps for $45.00 cash giving, them a bonus amount of food purchasing power of $137.00. (I need not indicate that this was not enough at that time for a family this size) With the new system, this same family of four receives $137.00 free food stamps but in order to have the same food purchasing power as before the present system went into effect, they must expend $45.00 from their cash grant to make up the $182.00. The loophole is that before the family had $182.00 purchasing power tax free whereas now assuming that they have the $45.00 to spend for food they must also pay tax on the $45.00 (at 5% this means $2.25). (No wonder there are an awful lot of hungry children in this land of plenty.)

I strongly urge the government to consider:

1) Raising the food stamp allotment to a level that would permit a family of four to have purchasing power of at least $75.00 per week for food pro rated at 4 1/3% for a month's allowance;

2) Increase the cash grant to $125.00 month per person;

3) Provide training and create enough jobs so that all able-bodies persons especially heads of household can become gainfully employed in a position where the salaries would remain competitive with the continued inflationary increases; and/or

4) Force a ceiling on all commodities and services that are essential for basic human needs and survival.

Mr. ROSENTHAL. Is Mr. Paul Turley here?

Mr. TURLEY. Yes.

Mr. ROSENTHAL. Go ahead, Mr. Turley, we are pleased you could be with us.

STATEMENT OF PAUL W. TURLEY, REGIONAL DIRECTOR, CHICAGO REGIONAL OFFICE, FEDERAL TRADE COMMISSION

Mr. TURLEY. I am regional director for the Federal Trade Commission here in Chicago. Do you have a copy of my written statement and I won't attempt to read from it verbatim.

I would like to summarize three particular areas where I feel we have been effective in aiding the people in our seven-State region and maximizing the income that they have at their disposal.

Mr. ROSENTHAL. Without objection, the entire statement will be put in the record.

What are the seven States in your region?

Mr. TURLEY. Kentucky, Indiana, Illinois, Missouri, Wisconsin, Minnesota, and Iowa.

The three areas that I would like to discuss briefly are, first of all, the area of merger activity.

Our office has been engaged in several merger investigations and was successful in obtaining an injunction in October against the Rhinechem Corp., and have also had several other merger activities that resulted in the issuance of complaint, all of which have been in the products market known as organic pigments.

Organic pigments are a product that is used in consumer products as diverse as automobile paint and shower curtains. Everything that has color in it has some pigments in it. And we think that this merger activity that we have been involved in has induced and injected a level of competition into a product market where if there are price increases they most assuredly will be paid by consumers.

Another area that we have been active in is in vocational schools.

We have litigated a case against Bell and Howell and at the present time we have a case in litigation at this moment in our offices against MacMillan Publishing and its subsidiary LaSalle.

In the *Bell & Howell* case, we were successful in obtaining $1.2 million in cash which is in an escrow account here in Chicago at the present time, and will be returned to deserving consumers as soon as those people are identified. We expect to obtain a similar type of relief from LaSalle if we are successful in our litigation.

A third area that I would like to mention briefly is that we have been very active in enforcing the Magnuson-Moss Warranty Act. We have a litigation against Montgomery Ward's where we have alleged that they failed to provide adequate warranty information prior to purchase to consumers.

We believe that the effort there is going to be successful, and we also believe that the result of that will be to inject a competition on the basis of warranty terms in order to provide consumers with products of higher quality, fewer repair bills, and hopefully products that will even last longer.

One other area that I would mention briefly is we have also expended a considerable amount of effort in the home insulation area. The Com-

mission has had a nationwide effort. In our seven-State region we contacted and formally notified over 200 manufacturers and sellers of home insulation of their responsibility to make accurate and truthful recommendations with respect to their product.

I think as a result of this we obtained widespread voluntary changes; we negotiated at length with some people, and we believe as a result consumers are able to purchase home insulation with an accurate and clear piece of information in front of them and that their savings are multiplied because they buy the product that they need and they also are successful in minimizing their utility costs as a result of installing accurate and adequate installation.

I would be happy to try to respond to questions if you have some.

Mr. ROSENTHAL. How large a staff do you have?

Mr. TURLEY. In our office, our attorney's staff is 26, we have 6 investigators and support staff.

Mr. ROSENTHAL. Are you doing anything in the energy field at all?

Mr. TURLEY. Yes, sir; the home insulation area is part of our energy program in the Commission. That has been the major thrust of our energy efforts.

Mr. ROSENTHAL. You are not doing anything in terms of petroleum or fuel oil, gasoline prices, gasoline overcharges, gasoline gouging?

Mr. TURLEY. No, we are not.

Mr. ROSENTHAL. Why not?

Mr. TURLEY. There is a division of effort and a division of responsibility within the Commission, and in the broad establishment of priorities, our office has not participated in that effort.

Mr. ROSENTHAL. You didn't answer my question. Why not?

Mr. TURLEY. Why not? Because in the division, establishment of responsibilities and priorities, our office has not been requested to work in that area.

Mr. ROSENTHAL. Tell me in simple language, did somebody tell you not to do it?

Mr. TURLEY. Well, we, as I believe that you are aware, we have a budget and we have a responsibility in our budget.

Mr. ROSENTHAL. Are you a lawyer?

Mr. TURLEY. Yes, sir.

Mr. ROSENTHAL. Can you answer the question yes or no?

Mr. TURLEY. Yes, sir.

Mr. ROSENTHAL. Did somebody tell you not to go into the petroleum-fuel oil situation?

Mr. TURLEY. No.

Mr. ROSENTHAL. And you made the decision yourself not to do it?

Mr. TURLEY. Yes.

Mr. ROSENTHAL. Now, in terms of fighting inflation, tell me what you have done in the four areas that occupy 80 percent of the average citizen's budget: that is housing, food, health care, and energy.

Mr. TURLEY. There is one, as you will see in reading through the prepared statement, there is one corporation in the entire Nation that is required to provide a written warranty, and that corporation is Kaufman and Broad. They make new homes and one of the major manufacturers of housing in this country, and as a result of a case brought by this office and pursued by this office, they are required to provide a written warranty on their new homes.

Mr. ROSENTHAL. Do they sell any homes in Chicago?

Mr. TURLEY. Yes, sir, they do.

Mr. ROSENTHAL. How many in the last year?

Mr. TURLEY. I am not aware what the figures are at this moment. They have major developments in the Buffalo Grove area which is a northwestern suburb of Chicago.

Mr. ROSENTHAL. Let me restate the question: That is one thing you have done in housing?

Mr. TURLEY. That is one thing we have done, yes.

Mr. ROSENTHAL Eighty percent of the budget of the average citizen spent in those four areas, housing, health care, food and energy, I would like you just to restate in simple terms what you have done in those four areas.

Mr. TURLEY. Housing, I just mentioned.

Mr. ROSENTHAL. That is one item.

Mr. TURLEY. Energy——

Mr. ROSENTHAL. In housing you got this one company to enforce their warranties.

Mr. TURLEY. No, sir, we got this company to provide a warranty.

Mr. ROSENTHAL. To provide a warranty?

Mr. TURLEY. Yes, sir.

Mr. ROSENTHAL. What else?

Mr. TURLEY. In the health care area we have had several investigations. At the present time we have an investigation underway that is close to being consummated. It alleges monopolization in insulin.

I think it is a very important case because people who are diabetics have to have insulin or else they die. And if there is a monopoly in that product market——

Mr. ROSENTHAL. Has anybody in the Chicago area heard of your office before today?

Mr. TURLEY. I certainly hope so.

Mr. ROSENTHAL. Are you doing anything in a gut area that people feel?

Mr. TURLEY. I think if you are a diabetic that you consider insulin to be a gut area.

Mr. ROSENTHAL. That, I would say so.

Mr. TURLEY. I think it if you are in the market for a home that you would consider a written warranty to be a gut area.

I think there are many people in the city of Chicago who viewed the investigation that we had of the taxicab problem here as being a critical issue.

Mr. ROSENTHAL. What did you do in the taxicab problem?

Mr. TURLEY. There was an allegation that was made that through a particular structure in the taxicab industry that there was anticompetitive——

Mr. ROSENTHAL. Well, Mrs. Byrne did that before she ran for mayor, right?

Mr. TURLEY. Mrs. Byrne talked a lot about it and she certainly was responsible in many ways for the initiating of a thorough investigation in part of our office and in part by the antitrust section of the Justice Department.

I think that in terms of energy that there certainly are many people who view home insulation as a critical product in energy.

Mr. ROSENTHAL. No, most people don't view home insulation as a critical product, it is an important adjunct of maintaining a home, it is not a critical product. Fuel oil is a critical product.

You haven't done anything in fuel oil?

Mr. TURLEY. No.

Mr. ROSENTHAL. You haven't done anything in gasoline?

Mr. TURLEY. No.

Mr. ROSENTHAL. You haven't done anything in hospital bills?

Mr. TURLEY. I don't think that is absolutely correct.

Mr. ROSENTHAL. I will reframe the question. Have you done anything in the hospital costs?

Mr. TURLEY. We do not have tangible results that we can point to in the hospital area.

There are investigations that we have conducted that we think do have some effect, but I would not imply that we have done anything major in that area.

Mr. ROSENTHAL. Do you feel that you are having any impact at all on the daily lives of the Chicago area citizens?

Mr. TURLEY. Yes, sir; I do.

Mr. ROSENTHAL. In what way?

Mr. TURLEY. Well, you may feel that it is unimportant to a purchaser of a vocational school when they are represented by purchasing this course and taking this course of study that they can improve their job earnings and job opportunities.

I think that those people in the *Bell & Howell* case are going to receive a sizable refund. We expect to pursue the same remedy in the *LaSalle* case.

Mr. ROSENTHAL. You have the $1.2 million in escrow?

Mr. TURLEY. Yes.

Mr. ROSENTHAL. How many people are involved in that?

Mr. TURLEY. The people that are eligible are yet to be determined.

Mr. ROSENTHAL. How many do you think?

Mr. TURLEY. How many people will receive, in fact, the money?

Mr. ROSENTHAL. Possibly, yes. Take the biggest figure you have got.

Mr. TURLEY. That is extremely difficult. They have Bell & Howell school courses all over the country for several years.

Mr. ROSENTHAL. How many in the Chicago area?

Mr. TURLEY. I don't know.

Mr. ROSENTHAL. 500?

Mr. TURLEY. More than that.

Mr. ROSENTHAL. A thousand?

Mr. TURLEY. More than that.

Mr. ROSENTHAL. 5,000?

Mr. TURLEY. Approximately.

Mr. ROSENTHAL. How many people are there in the Chicago metropolitan area?

Mr. TURLEY. Approximately 8 million.

Mr. ROSENTHAL. What are you doing for the other 7 million plus, whatever the number is?

Mr. TURLEY. I think that in the written statement and the things that I have said that we have done things that have an impact on those people. There are 1.6 million diabetics in this country. I think that that is a sizable number of people.

Mr. ROSENTHAL. Please don't push me, I think you are absolutely right, yes, it is, you are doing great work on that, fine.

You are dealing with law school issues. What are you doing for the daily lives of the 8 million people around here?

Mr. TURLEY. I think a substantial number of people, for example in Kaufman and Broad. They built 20,000 homes during the time period that is covered by their requirement under the order to repair defects.

Now, not all of those 20,000 homes are defective, I'm not implying that. But for those 20,000 people, that is pretty important.

Mr. ROSENTHAL. And they are all over the country?

Mr. TURLEY. Yes, sir.

Mr. ROSENTHAL. How many in Chicago?

Mr. TURLEY. I don't know the exact number. There are major subdivision developments in Chicago.

Mr. ROSENTHAL. 300 houses?

Mr. TURLEY. I think that would be a low estimate.

Mr. ROSENTHAL. So you are helping 5,000 people on a Bell & Howell course and 500 people on the houses, that is 5,500 people.

Mr. TURLEY. I don't think that that is accurate at all.

As I indicated in my statement and also in the written statement, that we have expended a considerable amount of the attorney work years that we have in our office in injecting competition and maintaining competition in organic pigments.

And every consumer that buys consumer products buys things which include pigments. And if the price of pigments go up, the price of those products goes up, and every single person bears the cost because the big multinational corporations who are attempting to increase levels of concentration in that area are not going to assume those costs.

Mr. ROSENTHAL. What multinational organizations have you brought action against?

Mr. TURLEY. We have brought an action against Bayer A.G., which is a German corporation.

Mr. ROSENTHAL. They make aspirin?

Mr. TURLEY. No, sir.

Mr. ROSENTHAL. What is Bayer?

Mr. TURLEY. Bayer is a corporation that is spelled the same as Bayer, B-a-y-e-r. It is a giant chemical conglomerate that is headquartered in Germany.

Mr. ROSENTHAL. Did you bring any action against any American companies?

Mr. TURLEY. Allegheny Ludlum and it's a subsidiary of Chemetron.

Mr. ROSENTHAL. You brought that in this district?

Mr. TURLEY. Yes, sir.

Mr. ROSENTHAL. Do you have adequate autonomy from Washington?

Mr. TURLEY. Yes, sir.

Mr. ROSENTHAL. Would you like more autonomy?

Mr. TURLEY. I don't believe that is necessary. I believe that we can function effectively, and I believe it is important in the agency to maintain a——

Mr. ROSENTHAL. Do you do anything in the food area?

Mr. TURLEY. We have not done anything significant in the food area.

Mr. ROSENTHAL. Isn't vertical concentration a real problem in the distribution of food?

Mr. TURLEY. I believe that the same types of horizontal and vertical concentrations in the food industry are important. There is a food merger that was announced in St. Paul, Minn., and the Commission has challenged that acquisition and has filed a complaint against it. That is not being handled by this office.

Mr. ROSENTHAL. So your office—how long have you been the regional director?

Mr. TURLEY. Since October 1977.

Mr. ROSENTHAL. So you did something on housing to get the guarantee issue; you did something on insulin——

Mr. TURLEY. Yes, sir.

Mr. ROSENTHAL. And you are hopefully going to get some money back from some vocational school people who went to Bell & Howell.

Mr. TURLEY. We have the money in the bank.

Mr. ROSENTHAL. I still don't have the feeling that you are impacting on the lives of the 8 million citizens.

Mr. TURLEY. I think that it is——

Mr. ROSENTHAL. Unless you don't think that is your role; that may be.

Mr. TURLEY. I don't think that that is true at all, and I think that there is a tremendous impact that is accomplished through the merger area. And I believe that it is significant, that it has a direct impact on that particular——

Mr. ROSENTHAL. What, the chemical merger?

Mr. TURLEY. Yes, sir.

Mr. ROSENTHAL. What products are involved there?

Mr. TURLEY. Organic pigments.

Mr. ROSENTHAL. What are organic pigments?

Mr. TURLEY. Organic pigments are colorings, sir, that are used in virtually every consumer product that people purchase. They are used to make your shirt blue.

Mr. ROSENTHAL. My shirt blue?

Mr. TURLEY. Yes, sir.

Mr. ROSENTHAL. And your claim to fame when you leave this office was the organic pigment case?

Mr. TURLEY. I wouldn't feel it was necessary to apologize for that, if that was the only thing that I had done. It is a major effort and there is a level of anticompetitive concentration that has been avoided.

The Court saw fit to issue an injunction against these corporations. They are major multinational corporations which already have a substantial market share, and I believe that our efforts there maintains a level of competition, and it also serves as, I think, a very significant deterrent to other corporations who are designed or who have designs on increasing concentration, and thereby improving their opportunity to affect price.

One other merger that I haven't mentioned, but it is included in the written statement, is a merger between the Crane Corp., which is an American corporation, and Medusa Cement, where we ordered divestiture of a cement plant in Dixon, Ill.

And we think that—those two firms were No. 6 and No. 7 in the cement industry in Chicago. Combined, they would have become No. 1.

We think that that effort maintains a level of competition that all of us have to pay for in the building industry in the Chicago market.

Mr. ROSENTHAL. Would you say that your office has had an impact on the lives of the citizens of this community?

Mr. TURLEY. Yes, sir.

Mr. ROSENTHAL. Significant, modest, how would you rate it?

Mr. TURLEY. I think that given the fact that we have a relatively modest 26 people, that we have had a significant impact.

Mr. ROSENTHAL. Thank you very much.

Mr. TURLEY. Thank you.

[Mr. Turley's prepared statement follows:]

TESTIMONY OF

PAUL W. TURLEY

REGIONAL DIRECTOR

CHICAGO REGIONAL OFFICE

FEDERAL TRADE COMMISSION

BEFORE THE

COMMERCE, CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS

ON THE

IMPACT OF INFLATION AND THE EFFECTIVENESS OF

GOVERNMENT EFFORTS TO COMBAT IT

MAY 11, 1979

Mr. Chairman and committee members, I appreciate the opportunity to discuss with you the activities of the Chicago Regional Office of the Federal Trade Commission. I note that the opinions I express are my own and do not necessarily reflect the opinions of the Commission or any individual Commissioner.

The FTC regional offices participate in the two agency missions: Consumer Protection and Maintaining Competition. The Chicago Office divides its resources by expending approximately 60% on the Consumer Protection Mission and 40% on the Competition Mission.

The Chicago Office is working hard in a number of areas to attack business activity that lessens competition, induces uninformed consumer purchases or induces purchases made in reliance on false or deceptive claims. Many of our present activities are in non-public investigations but I would like to review some of our more significant public efforts.

First we have acted promptly to block potentially anticompetive mergers in the organic pigments industry. Organic pigments are used to impart color in a wide variety of products including such diverse items as automobile paint and plastic shower curtains. Every consumer purchases a multitude of products that contain organic pigments and therefore the price of pigments affects the price of many consumer goods.

On October 19, 1978, a federal district court granted our request for an injunction, blocking a merger between the pigments division of Chemetron Corporation, a subsidiary of Allegheny

Ludlum, Inc. and the Rhinechem Corporation, a subsidiary of Bayer A.G., a multinational corporation headquartered in Germany. Both firms had a substantial share of the organic pigments market.

Following the Rhinechem injunction, Allegheny Ludlum sold the Chemetron pigments division to BASF Wayandotte Corp., the U.S. subsidiary of another multinational German corporation, BASF A.G. BASF Wayandotte Corp. has a smaller domestic market share in organic pigments than did Rhinechem but BASF is a worldwide giant in chemicals in general and pigments in particular.

Following this office's recommendation, the Commission has issued a complaint challenging BASF's acquisition and giving notice that divestiture may be sought if a violation is found.

The intended anti-inflationary effect of these actions is to maintain active price competition in a product market where price increases are ultimately and most assuredly borne by consumers.

In addition to the direct effects these actions will have within the organic pigments market, challenge of these acquisition signals to all industries that characterization of an acquisition as horizontal, vertical, or conglomerate is not controlling. The Commission will focus on the acquisition's capacity to adversely affect competition.

In the early fall of 1978 the Crane Corporation announced its intention to acquire Medusa Cement. In the Chicago market these two firms ranked sixth and seventh in the cement industry. By combining they would have become number one. In December 1978 we obtained a consent order requiring divestiture of a cement plant

owned by Medusa and located in Dixon, Illinois. This action eliminated the geographic overlap and maintained the present level of competition in the Chicago market.

The passage of the Hart-Scott-Rodino Act, which became effective in September 1978 is a statutory expression of Congressional concern with concentration obtained through mergers. I believe our actions in the merger area implement that concern by not only encouraging price competition but also by serving notice on all parties in our seven state region that any merger activity will be scrutinized for anti-competitive effects.

Turning to the Consumer Protection Mission I believe the following recent Chicago Regional Office activities offer consumers real and significant benefits.

On September 15, 1978, Bell & Howell, Inc. deposited $1.2 million in an escrow account here in Chicago. This money will be dispersed, at the direction of the Commission, to former Bell & Howell Schools' correspondence course students. The Commission, at trial, introduced evidence that the students were deceived by Bell & Howell into believing that the courses offered would enhance their job opportunities and provide the chance to earn higher salaries. In addition to shattered dreams, many consumers had shattered pocketbooks. The $1.2 million, which is expected to grow through interest to $1.4 million, will be used to reimburse deserving consumers who were victims of what we believe were deceptions.

When inflation stretches the dollar to the breaking point, consumers can ill afford "bargains" that fail to meet their promise. In this instance consumers will have a second chance to invest wisely in education or some other product.

On May 1, 1979, the Commission commenced its trial with Macmillan Publishing Company and its subsidiary LaSalle Extension University, the largest correspondence school in the nation. The complaint alleges that Macmillan and LaSalle have deceived consumers by misrepresenting job opportunities and higher salaries that are obtained as a result of LaSalle training. The remedy being sought is, again, consumer redress. The redress, if we are successful, will be substantial and, once again, consumers will have their rightful dollars returned. The anti-inflationary effect of the Macmillan case and the Bell & Howell case, in addition to the redress, is that all correspondence schools and any other corporation inclined to induce a wasteful expenditure through fraud or deception will be deterred.

More generally the Commission has promulgated the Trade Regulation Rule on Vocational Schools. The Rule, which will become effective January 1, 1980, is intended to eliminate the deception in the first instance by providing students with a refund of tuition charges that is a straight pro rata share of the classes not attended. By removing the school's economic incentive to exaggerate jobs and earnings claims, we believe we've found a prevention that is a lot easier to deal with than an after-the-fact cure.

The consumer's ideal--high quality and good service at the lowest possible price--can only be realized when material information such as warranty terms are available prior to purchase. This was expressly recognized by Congress when it passed the Magnuson-Moss Act. That legislation requires sellers to provide consumers with clear, meaningful warranties. The Act also requires that written copies of warranties be made available to consumers prior to purchase. This results in warranties then becoming an element in the consumer's purchasing decision. Moreover, manufacturers and retailers will have a strong incentive to compete on the basis of warranty coverage. Recent expansion of automobile warranty coverage is an example of the benefits of warranty competition.

Montgomery Ward is the respondent in an administrative trial that began in Chicago on April 16, 1979. The Commission alleged that Wards had violated rules promulgated under the Magnuson-Moss Warranty Act.

If we are successful, Wards will be required to substantially increase its effort to provide warranty terms in a manner which is practical and at a time which is meaningful. We believe that other retailers will take their cue from the Wards case and voluntarily adhere to the same standard rather than risking a Commission lawsuit.

The anti-inflationary effects of this case are that consumers will be increasingly aware of and able to compare warranty terms. We expect that consumers will spend less for repairs and products may even last longer.

The Chicago Office has also actively participated in the Commission's national effort to secure accurate, substantiated representations regarding energy savings which result from home insulation. Approximately 200 manufacturers and sellers of home insulation in our region were formally notified of their duty to make accurate R value representations and to obtain substantiation for all representations. Widespread misrepresentations and ignorance, even on the part of manufacturers and sellers, existed prior to notification. The notification resulted in a large number of voluntary changes. As a result, consumers can now purchase home insulation with increased expectation that the representations regarding the insulating characteristics of the product are accurate and have been scientifically substantiated.

This action resulted in anti-inflationary effects that have a built-in multiplier. First, the consumer is provided with accurate, material information which enables the purchase of the product most likely to meet his needs. Second, an informed choice of insulation maximizes dollar savings on individual utility bills as well as conserving energy.

On February 23, 1979, the Commission order against Kaufman and Broad, one of the nation's largest homebuilders, became final. Kaufman and Broad was ordered to: a) repair certain defects in any of the appropriate 20,000 homes they have built since January 1, 1972, and; b) provide a written warranty to all future purchasers of their new homes.

If the competitive process works, this action will strongly encourage even more homebuilders to voluntarily offer written warranties.

We believe the anti-inflationary effects of this action to be twofold: first, past purchasers will not be required to incur the expense of repairing defects for which they are not responsible and second, future purchasers are assured, by virtue of the warranty, of adequate and prompt repairs without incurring additional expense.

The Commission, in the course of the last two or three years, has actively investigated allegations that the price of some professional services are artificially inflated as a result of either state statutes or professional codes. Lawyers, dentists, medical doctors, veterinarians and real estate brokers are among the most prominent professions that are undergoing investigation.

In March 1977 the Chicago Office began an investigation of public and private prohibitions in the accounting profession regarding advertising, solicitation, encroachment, competitive bidding and incompatible occupations. The common thread that runs through all of these prohibitions is their ability to hinder free and fair competition. When the accounting investigation was proposed, all 50 states imposed restrictions on advertising, solicitation and encroachment. 47 states prohibited incompatible "feeder" occupations and 19 prohibited competitive bidding. After two years of investigation by this office and the Commission as a whole, 43 states have eliminated their advertising restriction and six others are in the process of doing so. Similarly, only nine states continue the incompatible occupation "feeder" restriction, and only six still prohibit competitive bidding. More

recently, significant changes have also started to occur in the solicitation/encroachment area, where 26 states have eliminated or significantly liberalized their rules.

I do not mean to imply that the Commission investigation is solely responsible for these voluntary changes but the policeman's hand on the shoulder often does serve as an impetus to alter conduct.

As a result of voluntary change, accountants are now free, if they choose, to aggressively compete with one another by engaging in activities long common to other industries such as price advertising, competition bidding and solicitation of customers.

While most accounting services are performed for businesses rather than individual consumers, the anti-inflationary effect of free and open competition in the accounting industry should mean lower costs to the users of such services, and, in turn, lower prices on other goods and services to consumers.

* * * *

The actions discussed above may be the most dramatic but they are by no means exhaustive of the recent accomplishments and anti-inflationary impact of the Chicago Regional Office.

The measurement of prospective effects is a risky business. I cannot be certain that all of the benefits listed above will be realized. I can be certain that we will continue to hold paramount in our deliberations the needs of consumers.

Thank you very much for extending this opportunity to share my views on the activities of our office. I am ready to respond to your questions.

Mr. ROSENTHAL. Our next witness is John Noel, assistant attorney general.

Mr. Noel, thank you for being here.

STATEMENT OF JOHN NOEL, ASSISTANT ATTORNEY GENERAL, STATE OF ILLINOIS

Mr. NOEL. Thank you for giving me an opportunity to be here, Mr. Chairman.

Mr. Chairman, members of the subcommittee, we appreciate the opportunity to present the views of the attorney general of the State of Illinois to this subcommittee.

Basically the Illinois attorney general believes very strongly that effective and efficient enforcement of the antitrust laws has a positive impact on retarding and preventing inflation.

Too often people commonly think or identify the word "antitrust" with expensive lawsuits involving lengthy, massive litigations which result in large attorney's fees and significant settlements.

I think such concepts are hardly anti-inflationary in sound. A more pristine view of the antitrust laws, however——

Mr. ROSENTHAL. Pristine, that means original, right?

Mr. NOEL. That's right.

Mr. ROSENTHAL. So why don't you say that?

Mr. NOEL. OK. A more pure or original view of the antitrust laws, however, should conjure up concepts of protecting free and open competition, and generally lower prices that are the result of such competition.

Historically, modern antitrust laws closely follow the purposes of laws aimed at price fixing and monopolistic practices dating as far back as the fifth century. In 1549, for instance, an English statute made it illegal for butchers, bakers, halterers, cooks, and food salesmen to agree on prices.

Interestingly, the same statute also prohibited agreements between workers to limit the hours and times of labor.

With this country facing what many call a taxpayer's revolution, it is noteworthy that our last great revolution was in a sense a response to runaway taxes and prices. The Boston Tea Party, for example, although it was a protest against taxes, was held at the expense of the East India Trading Co., one of history's greatest monopolists.

Mr. ROSENTHAL. Don't tell us about the Boston Tea Party, tell us about what you are doing.

Mr. NOEL. All right, Mr. Rosenthal. The one thing that I was trying to do in these remarks was to give you a background to show you that the antitrust laws have historically been aimed at those concepts which we should think of in the same breath and the same thought as inflation; anti-inflation type of concepts.

Specifically, in Illinois, what the Illinois attorney general has done is tried to focus on price fixing schemes primarily. Unlike the Federal Trade Commission, which has a major emphasis on structural kinds of cases, the Illinois attorney general's office has focused on common garden variety type of anticompetitive activity.

Probably 95 percent of all the cases we bring are price fixing.

Mr. ROSENTHAL. Tell us about some of them.

Mr. NOEL. OK. Now, in terms of the area of price fixing, in the last 10 years we have prosecuted actions which have netted consumers and businesses in the State of Illinois roughly $15 million. The injunctive provisions of the suits that we have filed and the rollback of rates have probably saved the consumers an additional $10 or $15 million.

Mr. ROSENTHAL. In what industries or what commercial areas?

Mr. NOEL. We have prosecuted probably 40 or more cases, and it would be very hard to give you each and every case, but let me give you a sample.

One case which I think impacted on most consumers here in Chicago was a case that was prosecuted by our office and disposed of a couple years ago involving coal dealers, coal merchants.

In that case the State of Illinois recovered approximately $1.5 million which, in fact, was returned to people that owned buildings. We processed 2 million claims of people that owned buildings. And this included just normal homeowners that burned coal.

Mr. ROSENTHAL. What other areas?

Mr. NOEL. We have been involved in, of course, many of your major nationwide litigations. The potash litigation which dealt with fertilizer; the ampicillin case involving drugs.

Harper & Roe was a children's book case, fixing prices of library books.

We just sent out checks last week on a master key system price fix.

Mr. ROSENTHAL. Have you done anything in the food area?

Mr. NOEL. Yes; we have. We are involved in the sugar litigation which is such a large litigation that it is divided basically into two cases, the eastern and the west.

Mr. ROSENTHAL. Has the State of Illinois thought anything about enacting a condominium law of some kind to slow down this condominium——

Mr. NOEL. As a matter of fact there are two bills right now that I am aware of that are pending before the Illinois Legislature dealing with slowing down condominium conversions.

If I might talk about health care. Health care was an industry that you raised a minute ago.

Last year we found kind of a typical situation for a local price fix, wherein two of the—actually the only two ambulance companies that service a downstate county took out an ad in the newspaper saying that they were going to raise the prices $10.

Well, $10 was about a 20-percent increase over their prior rates. Of course, we went down there and managed to get them to roll back their rates and entered into a consent decree.

Mr. ROSENTHAL. Do you have a consumer division in the attorney general's office?

Mr. NOEL. We also have a consumer protection division which processes literally thousands and thousands of complaints each year.

The antitrust division is a very modest division. We are now at the zenith, the height of our size; we have nine attorneys. Traditionally we have only worked with about four or five attorneys, and in the 10 years when we basically recovered almost $30 million, the total cost to the taxpayer has been about a million dollars. So we have recovered about 30 times what it has cost the taxpayer in keeping our division going.

Another area of health care that we are looking at is pharmacists. We have found that some pharmacists in a very large city in Illinois have basically fixed the rates which they are reimbursed under company plans for prescription drugs.

Mr. ROSENTHAL. Do you have a generic labeling law here in Illinois?

Mr. NOEL. Yes; we do.

There are a couple other areas that we have been involved with that I think have a very significant impact on the consumer here in Illinois. That would be milk, beef——

Mr. ROSENTHAL. What are you doing to milk and beef?

Mr. NOEL. Well, we have cases, again nationwide cases, that are filed attacking both of the pricing structures in those industries, which we feel unnecessarily inflates the cost that the consumer pays for those products.

Mr. ROSENTHAL. Are you saying you have cases that you are participating in with other attorney's general?

Mr. NOEL. That is correct.

Now, one thing that I might point out to you, Mr. Rosenthal, which seemed to be of some interest to Mr. McSpadden, was that we, quite frankly, have come to the realization that perhaps these nationwide cases that do get all the ink about the big attorney fees and the big settlements, perhaps for a State agency those are not the best cases to get into. They are probably cases that would be brought anyhow even if we weren't in those cases. And consequently we have made kind of a policy decision to look first to local kinds of questions.

So things that may not impact nationwide may impact on one city or one county, and we are constantly amazed that even with all the publicity that the antitrust prosecutions, nationwide antitrust prosecutions have gotten, you still have a tremendous number of these local price-fixing agreements that crop up all the time.

And some of them are extremely blatant like the ambulance company. We have had situations with garbage haulers where they have fixed prices and set the rates for hauling garbage.

Of course, we have been involved in a couple of real estate cases where real estate brokers have fixed the rate at which homes will be sold, homes will be listed.

I mentioned the Chicago coal merchants. We even had a case against the barbers for fixing the price of haircuts a number of years ago.

We have had cases against several mobile home parks and we have one case that we are about to terminate which involved the purchase of tax delinquent real estate.

Tax delinquent properties, of course, are sold for a penalty rate of 12 percent in this State. Allegations came to our attention that the people that purchase those properties had in fact allocated all the properties so that they could purchase them at the maximum penalty rate, 12 percent every 6 months.

We are in the process of finalizing a recovery which would make complete restitution to every person whose property was sold under that alleged allocation scheme.

And the moneys going back to the people in Cook County will add up to something like a half a million dollars for 8,600 claims.

Mr. ROSENTHAL. Sounds like you are doing pretty good work.

Mr. NOEL. We like to think that. Sometimes you feel that you need more help. And I think the bottom line of what we would suggest to this committee is that in view of the kinds of work that Illinois does and other States do, we really feel strongly that increased antitrust enforcement and stronger antitrust laws are a key consideration in coming up with a total program to fight inflation.

Mr. ROSENTHAL. Do you know what the State of Illinois is doing, the extent of their cooperation with the interdepartmental partnership with the Federal Government on the wage and price guidelines?

Mr. NOEL. No, I am not really familiar with that.

Mr. ROSENTHAL. Thank you very much. You look to me like you are doing a pretty good job.

Mr. NOEL. Thank you, Mr. Rosenthal.

Mr. ROSENTHAL. Unless you are pumping up the realities.

Mr. NOEL. I would never do that.

Mr. ROSENTHAL. Our next witness is Philip McCusker. You are Mr. McCusker?

Mr. MCCUSKER. I am.

Mr. ROSENTHAL. We are delighted to have you here, Mr. McCusker.

After Mr. McCusker we will take anybody else who wants to testify provided they will limit themselves to 5 minutes.

STATEMENT OF PHILIP McCUSKER, ILLINOIS JOB SERVICE

Mr. MCCUSKER. My name is Philip McCusker, M-c-C-u-s-k-e-r. I am with the Illinois Job Service and we, at the location I am at 1312 East 79th Street, try to get jobs for people that are on public aid.

I might mention that what I have seen personally is every time a bill comes in, it is higher. And now as far as jobs, there seems to be more pressure from the applicants for higher salaries and employers for lower salaries. It is hard to bring the two together.

One thing good that has come out of this, I think, is the tax credit program. It is being more accepted. In it, an employer gets 50 percent tax credit for hiring a public aid recipient the first year and 25 percent on the first $6,000 the second year.

Fellow workers seem to have a mixed feeling on what is happening. You can see a lot of vacant buildings. We feel that this is part of the inflation.

Perhaps you have some questions?

Mr. ROSENTHAL. No.

Mr. MCCUSKER. OK, I would like to thank you.

Mr. ROSENTHAL. Thank you very much.

Who else would like to have a chance to get their name—the gentleman over there with the dashiki.

STATEMENT OF RABBI RUBEN

Mr. RUBEN. My name is Rabbi Ruben, and I am from the south side of Chicago here. I have been here for 11 years. I came from New York.

And in working with programs here, I started out with a food program. And the sponsors, they look for people who are in the ghetto area who have a good reputation, they back them up, give you a tax number, and after you go through with your job and give people jobs

and feeding them, they came up and took all the money out of our account from the State back to New York. That set us back a little, but here is what I am saying: I had 50,000 free lunches. We fed them. But what had happened was in comes a company out of New York called the Gordesky Brothers, who handled all the food, fired me from off the directorship of this committee I was on, put their director on and took all the money for the people who I had fed on this food program, 50,000 free lunches a day. That is a lot of money.

In turn I found other jobs for all the Robert Taylor homes, the Cabrini homes, the Ickes homes—they are closing up all the first floors in all the project houses.

Renault Robinson, he is in charge of the Police Protective Agency—my idea was to give jobs to those children, people in the project houses, the 16 floors. If they are going to close up all the first floors, I was stating that they could put a food co-op on the first floor there and have the food coming in the same way as Ms. Shavers has on her program. That, in turn, would give people jobs.

Other areas would see this idea; if it could be run in one they could do it in the other. McDonald's did it in their food chain.

So my idea was giving jobs to each one of those buildings. You could even set up stores like hardware stores that people need access to different materials and things in their buildings. Ideas on how to go in there and fix those apartments up and make it look lovable and liveable for the people who are on welfare.

We are in a great crisis, this is a grave condition. I speak in Washington Park and Lincoln Park. Speakers come from California, Texas, all over, meet there from New York, otherwise; we travel all around seeing what is the crying stalk of the American people here in the ghetto. It is not a ghetto here. A ghetto came from the word ghetto in Europe, they owned their property. In America here they don't even own anything. Black people don't even own a toothpick, because a toothpick is the cheapest thing you can get from wood.

But what I am saying is this: If we can get them to face realities; the black man is in trouble. He has no rule over his woman or his home or his children. He is a lost cause.

Carter jumped from civil rights to human rights, and man is not a human being because if he was, he would not believe the condition that is going on and see it stagnating.

The only thing people are looking for down here is a handout or looking for what they can get out of it. There is no one volunteering their services to help black people to come up out of the bottom.

I am looking at the neighborhood as a kibbutzim, just like they do in Israel. Each neighborhood is a kibbutzim. You set it up so that each—you have a baby sitting outlet in that neighborhood where mothers can go to work and she can leave her children there. You can have half-way houses in each neighborhood. You can have schools set up, nursery schools, when they come home from the public schools they can come and get schooling on what value is, valuing themselves and property.

Black people hate grass and glass. If you don't believe me, go to any inner city area in the ghetto and you will see a lot of broken windows, glass, and the grass deteriorating.

You have got to put value there, instill it inside of them. The preachers are not doing it, the schools can't do it, the parents don't have the time. They are worrying about how to make ends meet.

I am looking for each neighborhood to have a nutrition department there in the neighborhood because they don't know how to budget and eat. The garbage proves it for itself.

Each neighborhood has so many people; they are drinking a lot of wine now. So what have you got to do? You have got to get it so the people can clean up those blocks.

The guys hanging on the corners could be paid so much money to keep the block clean. This is what is happening, it is a downgrading plot because nobody is coming up with ideas.

If you come up with an idea you can't get it across because you will be blocked out. All my programs, they are all written up. I have people who have done those jobs. But what has happened? I can't get it up to reach the top because I will be blocked out and they steal your programs so fast because no one thinks up any ideas.

So if you come up with anything they will take it, put their name on the organization or you will find it in the newspaper or you hear it on television, and you have got it already there. So there is no protection for the little man because there is so much pressure on the top.

It is like the football game, the man with the ball is on the bottom of the pile. You got to wait for the referee to come and pull everybody up off of him so he can get up and throw the ball or place it.

So what we are trying to do is to place.

Now, we have shown and what we want to do is see the action coming out the bottom line and how to get out of this inflation, because it is going up and down, up and down. That is the shadow that jars things. You either are going to take it all the way up or bring the depression all the way down, level off like it did back there in the thirties.

You can't keep it going up and down; you can't give people false hopes. This is what it is all about.

And speaking in those parks there last summer, the black man now has stood his ground, he is saying that he is choosing sides now. So that means that they are coming back out in the streets like they did in the sixties.

They are choosing sides, not on a gang level, on the street level. It is a different undertow there, and you have got black leaders standing out looking to see which way the tide is going and which side of the fence they are going to jump on. They are going to be double dealing. They are double dealing why? Because they will talk to you on one side and when they come into the black ghetto, in the area, they talk on another side.

Just like when you go to a foreign country you might talk one way over there and when you come over here you talk another way over here. So it is a two-sided game that is being pulled. And who is at the bottom of this? It is the children. The woman is next because she is being subsidized.

In other words, to get food to feed those children the man has got to leave that house. Once he leaves the house the home is broken up, you see what I mean? And, therefore, when the home is broken up the children is running astray and they are not being educated. The way

they are being educated is a farce because they are being trained to be white boys and white girls in those schools and when they come out of that school to go get a job they find themselves in the same bracket that their poor parent is in.

So what is happening here? Education is learning about yourself, how to survive.

The word salvation means save yourself.

The word understanding; wisdom, knowledge and understanding means save yourself. You are ready to save yourself when you know how to communicate and move. And this is what is happening. We have got to have someone to protect us down here so we can get our programs out.

I have a program how to feed each neighborhood and how to get those people up and get them jobs and make things work; just like the Jewish people did when they went to Israel. We have the same crisis here.

And my concluding remarks are, I put it in a parable for all those people in the neighborhoods: You have the chickens, the sparrows, the eagles, and the stars.

The chickens are the lower, deprived people that haven't been to school, haven't graduated from grammar school.

The sparrows, they can fly a little higher than the chickens but they cannot go up as high as the eagles, the college grads. And the stars are the experts.

And until the experts know what the chickens are talking about and the chickens know what they are talking about there is nothing going to get together. You see what I mean?

So until the churches and the preachers stop sending those mothers to ADC—once a girl gets pregnant or a man needs a job, where does he send them? To ADC. He is not going in the treasury in the church there and get him no money or no job or no home.

What I am speaking, there needs to be some sort of emergency housing or building. They are tearing them down anyway, they are burning them out. These are demolition experts that are burning these buildings out on the South Side. The roof burns out first so when it rains it is going to mess up the whole interior, you see what I mean. But the gut of the house is good.

What we can do is fix that building up, have it for emergency purposes. People get out for child abuse; women get kicked out of the house for fighting, they can go stay at a place until the agencies come and help them out. They don't have to be going downtown to the hotel, spending all that money. Or people who have accidents or who, because of the acts of God are burned out of their homes, they can stay right there in the neighborhoods and be taken care of; the children can be taken care of in the neighborhoods.

They do it in all the other neighborhoods so people can get out and work and do something.

My main thing is I have a program that will give them stability and some jobs right in that area, and it will bring businessmen back into Chicago if the businessmen know that they can put a little factory up somewhere around each area in each inner city, let the people in the neighborhood work for the company that is maybe out in the suburbs. It will save gas, time, and it will save a lot of energy and frustration

riding on those trains. They should bring jobs back into the neighborhood.

They do it in other countries. So what I am saying is in attempting to alleviate all the problems and learn what it is about, we are being snuffed out because a poor man can't say anything, because by the time you get your ideas up, somebody is grabbing it from the top and squooshing you out and telling you to take a low profile.

Now I have been told to take a low profile for 11 years; I haven't made a dime off of all the programs that have been done. And they grossed over $2 million off that food program. And they said why should I feed poor black people kosher food. It was the first kosher food lunch program in the State of Illinois and I was squooshed out of it because they say, "Why you going to give those people in the ghettos all that high-priced food?"

Why? Because they have hypertension. Black people have high blood pressure. It comes from that bad meat. And the kids won't even eat the meat that the Government is allocating down here from their Agriculture Department.

They call them "old chokers," they give them old peanut butter sandwiches, they give them old bologna sandwiches. They throw the meat and the bread all over the street and it is a crime, it is a curse before God the way they throw away all that food when they could get that food out there, done right, prepared right, nutrition right, and you will see some uplifting in the neighborhood.

But when you are treating people like they are treated down here, they don't even have a fighting chance. We have the answers here.

Black mothers, daughters, all these sons out here in the street have the answers. They could give it to you and you could funnel it back and see that it will work.

I have had those programs to work; they have worked, but when I get them started here come the big heads in taking the programs away, putting it in someone else's hands and they dilute it and it is done away with.

I am saying if I can have somebody to listen and can see it, sit down and talk with these people you will see that people can help themselves. Because I am working block by block. I have block parties on each street during the summer.

And, therefore, I get the people out there and teach them what to do; value themselves first and then they will value the property. If you don't have any value in yourself you are not going to value any one else's property. You are going to be in a city that has no windows because they are going to be all broken out, they have the grass all walked over and trampled over. They are not putting anything in front of their homes to make it look beautiful or better. They won't even take people to straighten their minds up.

So what are they doing? They are all stress, stresses taking over. You have despondency; despondent mothers at 20-some years old? Women have no future? Old people sitting pining away.

I have programs for senior citizens where they should go out and dance and dig, too. They are not through with life.

I would like to say, thank you very much. I see better things in the future but the way they are going now—I went to the park last Sunday, it was a hot day, and they are talking about choosing sides, want

to go to the streets again, want to start to burn down because they don't see anything coming.

But I am saying there is hope and ideas here if we could just get someone to help us get them across without exploding.

Thank you.

Mr. ROSENTHAL. Thank you very, very much.

Madam, would you like to come up. Tell us your name, please.

STATEMENT OF LEE JACKSON

Ms. JACKSON. Good afternoon, Mr. Rosenthal and other gentlemen. Yes; I am going to tell you my name and I would like very much to give you my address.

My name is Lee Jackson, and I live at 9209 South Prairie, Chicago, Ill.

The reason for that is because not being prepared to speak, having just 5 minutes, if you want other data I can give it to you later on.

I have been working with different economic levels of people since the fifties, and after working with people whom I have found could afford certain type training, I began to concentrate my efforts on the high rise area children.

So I am addressing myself to the youth, our future citizens, our generations of tomorrow.

Now, I have worked locally, statewide and I have begun to work nationwide with youths, because I found that the problem existing is not one that is exclusively in one area, juvenile prevention.

And I consider myself one of the fortunate people because I have used education as a tool, and I have used my compassion for people as an instrument to engender within the youths that I have come across with and program to encourage them, to motivate them to do more with their lives right where they are.

The reason I use the term "right where they are," is because in a radius of five blocks each youth's needs are different. Now, I have answered what I do—I have not answered what I do.

I work with creative programs, alternative learning, a motivation factor.

Our program acts as a catalyst to encourage youths to strive for higher horizons. I have been instrumental in submitting a proposal to Washington, and Washington told me—I have done a lot of legwork and I did some headwork also, I found out where the money is here in Chicago. I talked with some of the people, then upon presenting programs, showing what I had to offer, said I should have a program which should be funded. I do have one which should be funded.

Washington sent a letter back, and as a result they asked me to become involved in the National Center of Community Crime for Juvenile Delinquency.

Now, I have found out that there are funds for youths who have committed misdemeanors but they have no funds for prevention programs such as the one that I have created. And it has come about due to the fact that I have worked with youths in different areas, especially the highrise areas.

And these young people, the parents, the one-parent homes, the people that the gentleman before me just mentioned, they are just crying for the right things to do. They just eat up any type of good program that is presented to them.

And our program has been one which, as I have said, is a creative program. And we work with where they are. And whey I say where they are, I am speaking mentally, not where they live, creating programs for the needs which they have immediately.

I used to be a director for Campfire Girls and also organized Girl Scouts in the area in which I live.

Then a social change began; I could no longer sell either of the programs because I did not believe in them. Good youth programs, yes. But basically they weren't giving the youth some of the values that the other gentleman mentioned.

And as I said, I am into youth situations. I am wondering why Washington does not have funds for creative programs such as the ones which we have. They say it is a good program, but we received no funds.

Plus, I heard this through the grapevine, that there was about $2 million that has been sat upon and not presented to any organization that had submitted proposals for funding, and I am wondering why this is.

So that is all I have to say at this moment.

Mr. ROSENTHAL. Thank you very, very much. Who else? We have about 5 more minutes exactly.

Ms. LANGFORD. I will take 2.

Mr. ROSENTHAL. Take 2, come up. Why don't you come up, too; you can take 3.

STATEMENT OF ANNA LANGFORD, ATTORNEY, FORMER ALDERWOMAN OF THE 16TH WARD, CITY OF CHICAGO

Ms. LANGFORD. Mr. Rosenthal and gentlemen, I came in late so I don't know who the rest of you are, but I am a personal friend of John Conyers, and have been since back in the sixties when we were fighting in other battlefields.

My name is Anna Langford, I am a practicing attorney. I live just across the street about three blocks over in Englewood. I have lived here for 26 years because I wanted to stay here, not because I had to.

I was the Alderwoman of the 16th ward from 1971 to 1975. I had occasion to go to China 2 years ago with a group of lawyers and judges as guests of the Peoples Republic of China.

I came back here feeling that this country had better make friends with China because the way we are going we are going to self-destruct and part of that self-destruction is going to come from the lack of sensitivity for little people.

In China every piece of land available—in front of doorsteps they are growing food. The food is not the kind of food that we can enjoy in our restaurants or so forth, but nobody is denied food in China. And this is the real answer to the greatness of that country.

And they could just overpower us within another 25 years or so if we don't wake up and realize that the little people of this country are not going to sit by and see a few have so much money that they

don't even know what to do with it, when little people can't even go into the grocery store and complete a list that they take in after they have worked it out down to the last penny, because since they were there the last time something has gone up and they have to wipe something off, down to the point where they can't afford toilet paper, toothpaste, and the real necessities of life.

I would hope—I have attended White House conferences, I have attended conferences on top of conferences and hearings on top of hearings—I hope that you will not go back to Washington and forget what happened here today or what you have heard since you have been on this junket.

Because I love this country, but I refuse to say, "This country right or wrong." I say, "This country right or wrong, and it better be right or we are going to be wiped off the face of this globe."

Thank you.

STATEMENT OF DELORES PARKER, CETA EMPLOYEE

Ms. PARKER. Good afternoon. My name is Delores Parker. I am a CETA employee and a mother of eight.

I would like to place a question to ask what we can do to get our paychecks on time so I can maintain those eight kids that I have.

That is all.

Mr. ROSENTHAL. I am afraid I don't know the answer. Who do you work for?

Ms. PARKER. Here, SHAC.

Mr. ROSENTHAL. This office?

Ms. PARKER. Right.

Mr. ROSENTHAL. CETA money?

Ms. PARKER. Right.

Mr. ROSENTHAL. I don't know; that is something we are going to look into as soon as we get back Monday morning and see if we can't do something about that.

Ms. PARKER. Thank you.

Mr. ROSENTHAL. I just got back from China 2 weeks ago, and I tend to agree with you Ms. Langford. I mean, they have made remarkable progress with a very difficult assignment.

John is coming back at 2 o'clock, I think, but I am leaving at 2 o'clock, so maybe our paths will cross.

We agree with you, we haven't been traveling all over the country to forget about this. We are bringing this back so we can emphasize to our colleagues and decisionmakers in Washington the real serious plight that exists for society in this country.

The fact is Congress has a moat around itself. We never get wet, we don't really know what is going on in society.

One of the reasons we are doing this with some modest degree of discomfort, is so that we can tell our colleagues exactly what people whom we have seen their faces have told us.

The situation here is no different than we have heard in every other city, from older people, black and white, all types of people, about the total inability to survive in this very difficult society.

The situation seems to be getting worse rather than getting better. The spread between the top and bottom is getting worse and is getting even more hard core, and I hope we can do something about it.

Who else would like a chance to have their name on a very printed record?

At any rate, I think, I don't know if we can head John off, went downtown to make a speech and is coming back, or he has something to do. We are going to try to make an early plane to get back to Washington. But I want to thank all of you, and particularly those people who have been our hosts here for being extraordinarily hospitable and amiable.

This is the first hearing of this sort that has been held in a local community. My subcommittee did this when—I don't know, you probably remember Congressman Dawson. He was the chairman of my committee and we held some hearings in local communities such as this in New York and St. Louis and in Washington. We issued a report why the poor pay more in food and gas and everything. And we have been trying very hard to rectify that, which seems to be also one of the many allegedly unsolvable problems.

You wanted to say something?

A VOICE. I just wanted to tell you from what you were saying, don't you feel, though, it is more of a benefit to you to go to the communities and find out what the problem is other than going across town to ask someone over here what is going on over there?

Mr. ROSENTHAL. Absolutely, that is why we are here.

Another problem; we held some hearings, for example, and it was a good hearing, in Conyers' district in Detroit in the Federal courthouse, and I was surprised that so many people showed up because of the tendency by the average citizen to be fearful of the courthouse. It is a cold, foreboding atmosphere, particularly in a Federal courthouse. I was surprised so many people showed up.

We are here because we think it is a useful thing to do.

Ms. LANGFORD. I don't know if you know it or not, but this is one of the most depressed areas of the city and the most neglected.

I have been working with gang kids for years in the area, and we have the highest rate of dropouts probably, and the highest rate of unemployment. When you get that combination together you get kids on the street doing nothing.

We had a youngster who burned a kid, took a little 6-year-old boy up an alley and set him on fire, just about four blocks away in this area.

I could write a book on what happens.

If we didn't have the idle time that the kids have over here—when I was an alderwoman I bought a building up here on 63d Street and turned it into a community center. We had nothing in that community whatsoever, for the entire community area.

I took my salary for 4 years and put it into that community center. When I got defeated I stopped doing it. Nobody put one penny into that building. The way it was when I gave it to them, that is the way it was until the roof fell in during the winter. Now they have nothing. There is no money for it, nothing. We have no recreation facilities. Nobody cares about Englewood. It is the most neglected area in the city.

I am glad you came over here, because this is where it is at.

Mr. ROSENTHAL. Well, we are glad we came here, too.

[Additional material submitted for the record follows:]

STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
BUREAU OF THE BUDGET
SPRINGFIELD 62706

CONGRESSMAN BEN ROSENTHAL
RECEIVED
STAFF _____ DOC # _____
REC # _____
JUN 26 1979
PARA: _____
COMMENTS: _____
FILE CODE: _____

June 13, 1979

The Honorable Benjamin S. Rosenthal
Chairman
Commerce, Consumer, and Monetary Affairs
Subcommittee of the Committee on
Government Operations

Representative Rosenthal, I apologize for not being able to attend your subcommittee hearing in Chicago on May 11, 1979. The following comprises my written testimony regarding actions taken by the State of Illinois to combat inflation. As your letter suggested, I have grouped actions taken by the State of Illinois according to the five major areas described in the White House booklet, "An Intergovernmental Partnership". I have also included testimony on Bureau of the Budget contacts with the Council on Wage and Price Stability and the White House.

I. Actions Taken by the State of Illinois

A. State and Local Spending and Tax Policies

As is the case in many states, the State of Illinois fiscal year 1980 budget recognizes strong and competing pressures: the pressures to increase funding for individual state programs while at the same time pressure to limit total government spending.

Noninflationary fiscal policy in the State of Illinois is highlighted by the following:

- a balanced budget for the third consecutive year;
- a tenth consecutive year with no general tax increase;
- general funds spending which has remained virtually constant as a percentage of Illinois personal income over the last ten years.

In addition, a legislative package has been proposed by the Governor to limit state spending plans to no more than 98% of the estimated total resources.

B. Voluntary Compliance with Wage/Price Standards

The State of Illinois has complied with the voluntary wage standard. The examples are:

- Roll-back of proposed salary increases for elected officials, legislators, and agency directors to an average increase of about 8.0% in the first year, and a four-year average increase of less than 6.5%.

. Negotiation of a two-year contract with AFSCME providing employees in the bargaining unit approximately 7.4% increases in the first year and 6.6% increases in the second year of the contract.

C. Adoption of Anti-Inflation Procurement Policies

The State Purchasing Agent was asked to review the guidelines suggested for an anti-inflation procurement policy. Basically, he feels the state's emphasis on the competitive bid process is consistent with the President's overall anti-inflation program. Historically, the state's purchasing experience tends to support this contention. The state typically pays 75% or less of list prices.

In related areas, the Governor encourages maximum utilization of existing inventories throughout the budgetary process. Agencies are directed to utilize surplus property whenever it is available. Additionally, the fiscal year 1980 budget includes increased funding for the repair and maintenance of buildings and equipment. For example, the Department of Corrections appropriations for repair and maintenance increased by 43% from $914.8 thousand in fiscal year 1979 to $1,307.1 thousand in fiscal year 1980. All of these actions help to reduce the probability of inflationary procurement.

D. Regulatory Reform

Major advances have been made, particularly in the Health Care field. In fiscal year 1979, the Illinois Health Finance Authority was created to develop a prospective rate system for hospitals in Illinois.

The State of Illinois also is encouraging the development of Health Maintenance Organizations. Through the Medicaid program, the state provides payment incentives to institutions developing HMO programs. Also, the state group insurance program offers an HMO enrollment option to state employees. Currently, over 5,000 state employees and their dependents are enrolled in HMO's. Enrollment is expected to double during fiscal year 1980.

Since 1977, state law has allowed pharmacists to substitute generic prescription drugs for more expensive brand name drugs. Under the Medicaid program, the number of generic substitutes allowed has increased each year.

Other regulatory reforms implemented are:

. review of professional licensing requirements to eliminate licensing where it is not practical;

- streamlining the permitting process for the construction of new facilities required to meet environmental, health, and safety regulations;

- reviewing regulations to encourage competition among financial institutions and insurance companies.

E. Productivity Improvement

Major productivity-related improvements in the State of Illinois are associated with implementing recommendations made by the Governor's Cost Control Task Force.

In July 1977, the Governor appointed a task force of 70 management specialists to identify opportunities for savings and increased income and make recommendations regarding management practices in state government. The funding and expertise for the task force study was provided by 170 Illinois businesses.

As a result of implementing recommendations made by the Governor's Cost Control Task Force, the state has or will generate $281 million in increased resources or cost reductions. Major initiatives include:

- $104 million savings from stricter review of unemployment insurance benefit payments, this is a savings to Illinois employers who make payments to support unemployment compensation,

- $17.4 million savings from stricter review of medical bills and practices under the Medicaid program, shared equally by the state and federal government,

- $16.5 million savings in energy costs over a 10 year period as a result of $2.7 million in energy conservation capital projects,

- $12.8 million savings from changes in the state employee group insurance plan, accompanied by savings of $1.6 million in federal funds.

Two other programs within the State of Illinois will contribute to the goal of productivity improvement. They are:

- continued refinement of activity measures to be used in making budgetary decisions,

- administration of a merit compensation system which ties pay to performance for some 8,500 supervisory and management employees.

II. Relations with the Council on Wage and Price Stability and the White House Office of the Advisor to the President on Inflation

Working relations with the Council on Wage and Price Stability have been generally good. Bill Brennan, the liaison for units of state and local government, has been particularly helpful in providing us with information and advice.

The council did get off to a slow start when it vacillated on the application of the pay standard to pensions, health insurance, and step increases. However, since interpretation of the standards has been settled, technical advice from the pay standard division has been consistent and useful.

When the intergovernmental anti-inflation program was first proposed, it was not clear who was in charge of the program, and where we could go for more information; that problem has been resolved with time. Working relations are now satisfactory.

I hope this testimony is helpful to you.

Sincerely,

Tom Hutchison

Tom Hutchison
Division Chief
Illinois Bureau of the Budget

TH/bw

cc: Steve McSpadden
Marvin Madison

Mr. ROSENTHAL. The subcommittee stands adjourned.

[Whereupon, at 1:55 p.m., the subcommittee adjourned, to reconvene— subject to the call of the Chair.]

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 18, 1979

HOUSE OF REPRESENTATIVES,
COMMERCE, CONSUMER,
AND MONETARY AFFAIRS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
New York, N.Y.

The subcommittee met, pursuant to notice, at 10:18 a.m., in Appellate Courtroom, U.S. Customs Court, 1 Federal Plaza, New York, N.Y.; Hon. Benjamin S. Rosenthal (chairman of the subcommittee) presiding.

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

Also present: Representative Ted Weiss.

Staff present: Peter S. Barash, staff director; and Jack Shaw, minority professional staff, Committee on Government Operations.

Mr. ROSENTHAL. 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.

Hearings have already been held in Dallas, San Francisco, Sacramento, Detroit, and Chicago.

Under the Rules of the House of Representatives, this subcommittee is assigned oversight responsibility for determining the effectiveness of Federal anti-inflation programs including those administered by 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 serious questions as to the ability of the Council on Wage and Price Stability to monitor excessive price and profit margin increases in the economy. They also revealed that the current wage/price guidelines effectively exclude the most inflationary sectors of the economy—energy, food, housing, and health care costs.

The subcommittee's concern over the effectiveness of the present anti-inflation program has been heightened by the testimony we have already heard in other cities.

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Regional officials of the Bureau of Labor Statistics have told us there is no statistical evidence whatsoever that the wage/price guidelines are working to moderate inflation.

Representatives of the elderly, the poor, the handicapped, and middle-income consumers have testified that they have run out of ways to cope with the skyrocketing cost of living.

Evidence has been presented to us that the wage/price guidelines are holding down wages but not excessive prices and profits.

We have learned that the State governments have failed to implement many of the most important recommendations of the Council on Wage and Price Stability on ways for States to fight inflation.

The subcommittee's concern also relates to the fact that consumer prices rose at an annual rate of 13 percent during the first quarter of 1979 and that most Americans, according to a recent public opinion poll, view the wage/price guidelines as a failure.

These regional hearings are being held because the U.S. Congress and other decisionmakers in Washington must have a firsthand record of the effects of inflation on the lives of our citizens.

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.

The subcommittee is honored this morning to be joined by members of our subcommittee, Congressman Elliott Levitas of Georgia, Congressman Lyle Williams of Ohio, and a neighbor of ours, Congressman Ted Weiss from Manhattan.

Our first witness this morning is a distinguished visitor from Boston, Mass., professor and former Ambassador, John Kenneth Galbraith.

We welcome you to New York City, professor, and are honored to have you.

STATEMENT OF JOHN KENNETH GALBRAITH, PROFESSOR, HARVARD UNIVERSITY

Mr. GALBRAITH. Thank you very much, Mr. Chairman.

It is not precisely a novelty to be in New York City, but it is always pleasant and I am very happy, very honored to have this brief opportunity this morning to comment on what is certainly the most important domestic problem facing the United States, inflation.

What I would like to do, before I begin addressing myself to your questions, is to take a minute or two to review what perhaps could be regarded as a general view of the causes of inflation and the problems in contending with it, and say a word or two on the effects of the present efforts.

As inflation is an extremely important problem, so it is a complex problem.

And we must, I think, always avoid the people who come up with one cause and one cure.

There is, as one cause, the growing power in industrial economy, and this is not peculiar to the United States, of the great corporations, 1,000 or so who now produce about half of everything that we use and consume, and the companion increase in the power of trade unions and the fact that farmers no longer leave their prices to the market.

I don't think there is any industrial country where farmers are not subject to greater or less measure of support, something they say I have always favored.

And there is the minimum wage, the poor man's union, a substantial sector of this modern economy which is in the area of public action, government, and with OPEC we have the Third World entering this game, a growing capacity of organizing groups to enhance their prices and income by direct action.

This is combined with another development in the modern economy that is not quite so visible, but equally important, and that is the release of people from the older standards that once confined blue collar workers and the blue collar standard of living, and the white collar workers and the white collar standard of living, where it was taken for granted that, if you were a member of a minority group, you were very poor, and as a result a claim was made by the people for better diets, better housing, a larger range of privately consumed goods, and in the field of education, in health care, and many other things.

A stronger claim on public services, combined, of course, with the continuing high level of expenditures, among other things, for weaponry for defense.

All of which creates a persistent and continuing pressure on markets.

So, one has a combination in the modern economy of a cost push driving up prices, and the demand pull growing out of both public services and private demands that are pulling up prices.

A result of that private demand is that people now have a relatively lower rate of savings.

If one combines or compares current expenditure with current income, one has a relatively low rate of net savings in the United States.

These are the two factors which are presently—the two great forces which are presently operative that are driving up prices at a very high rate.

As to the remedy, again, there is no single remedy.

A combination of remedies must be used which, on the one hand, restrain the direct thrusts to the direct capacity to increase prices, and which also in an equitable fashion restrain the capacity to the spending which pulls up prices.

I have long felt, and it is just one of the, I suppose, most badly kept secrets of my economic agitation, that in a modern society there is no alternative to firm, forthright, mandatory controls on those instruments of direct power, the large corporations, and the companion capacity of the trade unions that are dealing with them, wage and price controls.

One should never be under the impression that this is interfering with free market.

One is interfering with prices that are already fixed by corporate power or are in the process of trade union bargaining, and once that has been agreed upon, then one must have a companion policy with reference to food prices so that they are not shoved up.

Farmers, once their costs are reasonably tied down, can accept more nearly stable prices on what they sell.

The controls that I have mentioned would, of course, apply to the large marketers, the margins, and we then have policy which is—publicly determine wages and prices, including the minimum wage.

I must say that I deplore the tendency of some of my economic colleagues who single out the minimum wage for particular attention largely for the reason, I am forced to say, because the people who receive it are not in a position—as unions to the corporations—to strike back.

And, on the other side, one needs, and we need particularly at the present time, to continue the orthodox measures of restraint on the demand pull inflation.

I would continue and maybe perhaps at the moment, given the pressure of the inflation, tighten up on monetary policy, on spending from bank lending, which is a vast source of inflation.

One does not want to rely excessively on that instrument because it adds a particularly adverse effect on those business firms, in which housing is the leading example, to depend on borrowed money, and it has a relatively small effect on the large corporate structure of the economy.

One of the reasons why corporations are generally in favor of monetary policy is because they can take themselves out from under by the investment of their own earnings, and do.

I would also urge that one keep a very relatively tight hold on the public budget.

I think, while there is no form of current nonsense so great as that which puts the whole problem of inflation on the Federal budget, the Federal budget is not exceptionally out of balance, and if one takes, as one must, the combined public budgets, because the Federal Government now spends about $80 billion to support the local and State budgets, and if one takes the aggregate of public budgets, there is no appreciable deficit at all, a couple of billion in a current fiscal year.

But, nonetheless, it may well be a time when we should have a budget surplus.

The only thing I must say that I am led to warn there about is, assuming that that budget surplus can be created exclusively by the manipulation of public expenditures, if one is going to tighten up on the budget and one excludes defensive expenditures, it is certainly questionable, but one knows the problem there, if one excludes contractual expenditures, then what is left, in general, with many exceptions, are some of the sancrosanct, the expenditures of the affluent.

Nobody is going to be around urging the expenditures of expenses on air safety, or the expenditures on behalf of the poor, the lower income group.

This means if that one talks exclusively about cutting back on public expenditures, one is talking about a fiscal policy which seeks to control the economy by the manipulation of the things that we do, welfare expenditures, aid to dependent mothers, aid to dependent children, health care, support of lower and middle income housing, that are in behalf of the least privilege people in the community.

I am trying to say that, for this attack on inflation, I would very much like to see us reverse the tax cut of earlier this year.

The expenditures that we should seek to cut are the expenditures of and by the upper income groups in the community.

This is a step which one recommends with no great hopes that it is going to be enacted, but there is absolutely no reason, I must say, for assuming, as we did 2 years ago, that we should reduce expenditures

in order to—reduce taxes in order to expand the economy, and now say that we cannot raise taxes and upper income expenditure in order to lessen the pressure on the economy.

That should work both ways.

I do not think that the administration and the President's economic advisers have come to grips with this problem.

We wouldn't be having a 13-percent inflation rate in the CPI if they had.

There has unquestionably been a feeling in Washington that economists are meant to have a rather pleasant and happy time, that they are not exposed to difficult and controversial decisions, and in consequence we have had a very soft policy on prices and on wages.

I agree with the chairman that it has been better on wages than on prices, because it has been the tendency of the past experience, and on tightening the budget most of the past talk has been with reference to expenditures on behalf of the lower income groups, and there has been some tightening of the—tightening up on spending for borrowed money, but, as I said earlier, I would go further with that.

Mr. ROSENTHAL. To summarize your remarks——

Mr. GALBRAITH. If I might just say one further word.

Mr. ROSENTHAL. Yes.

Mr. GALBRAITH. So, the policy has been declared, in principle, it has been far toó soft, the consequence being, among other things, the continuing and severe suffering on the part of those who must survive at these prices on fixed income, and, my last word, if I may, a heavy allocation of income from the poorer among our people to the more affluent, and it bears back on what I said about taxes.

We have seen in the first quarter of this year very large increases across the board in corporate earnings, on the order of 25 percent, 35 percent.

There is nothing wicked, per se, I suppose, about that, until we consider where they are coming from.

These earnings did not come out of the blue sky.

They are earnings that are allocated to the corporations or reallocated to the corporations from the people who are suffering.

These are earnings reallocated to corporate profits from the real income of the old, the weak, and the poor, those who are living on savings and those who are living on fixed income.

This is a procedure or development which one sees, I must say, with discomfort.

Thank you very much, sir.

Mr. ROSENTHAL. Thank you.

The sum and substance of what you say, I gather, the wage/price guidelines are not working.

Mr. GALBRAITH. That's right.

They are much too soft.

To some extent, they have been a license for further increases.

The aluminum company, for example, which had very large earnings last year, was able, under the guidelines. to put into effect very substantial, further increases to enhance profits which were already at near record levels.

I picked that out as one example in the paper this week.

Mr. ROSENTHAL. And specifically, you would recommend what for the Government to do, and in what order?

Mr. GALBRAITH. I would do it all at the same time.

I would ask for legislation for mandatory price and wage controls, taking as a base some past experience so that there is no anticipatory increase, and put that firmly before the Congress, noting that this has always been or always had the support of a very large proportion of the American people.

The American people are well ahead of Mr. Carter's economists in their good sense on this problem.

I would have a further tightening of bank reserves and spending from bank loans, singling out, if at all possible, some restriction on consumer borrowing, which is at unduly high levels, and I would reverse the last tax cut and increase taxes on incomes of $40,000, or $50,000 and above.

Ease the pressure on markets by cutting back on lesser expenditures.

Nothing promotes tranquillity quite as much as a few screams of anguish from the rich.

Mr. ROSENTHAL. If we don't do these things, what is your prognosis?

Mr. GALBRAITH. That the inflation will continue.

Mr. ROSENTHAL. And what will happen?

Mr. GALBRAITH. We will have further suffering by the people who are trying to eke out their savings the rest of their lifetime, and their pensions do not increase, and that is true of a very large number of people.

Index pensions are very few, and the very large number of public servants, public employees whose pay does not keep pace, and we will continue the tax revolt, so-called, because that is in substantial measure the result of people seeing taxes going up.

If taxes are stable, they are much less painful than if they are being forced to go up to keep pace with inflation.

And we will have a continued decline in the dollar abroad and a continued loss of our prestige for that reason.

Mr. ROSENTHAL. Mr. Levitas?

Mr. LEVITAS. Welcome back to this committee, Professor.

It is enlightening to hear your testimony.

I assume by your use of the word "inflation" in this discussion, you are talking about the increase in prices and not some economic theory of expansion——

Mr. GALBRAITH. We shouldn't complicate these matters.

Inflation and price increases are the same.

There are people who take some mythical flight into the question of money supply, people who are in touch with some form of mysticism, which nobody should every try to follow.

Mr. LEVITAS. I agree with you, and I am always questioned by people when I am in my district who try to equate inflation with printing too much money, and such as that, and to me inflation is what is happening in the supermarket and at the gas pump, and not some economic theory.

But you have long mandated price controls, but only for major factors in the economy.

It would only be on large corporations and large labor unions, and not the mom and pop stores.

Mr. GALBRAITH. There are two things that should be said here, Congressman.

First, that—one only follows this policy, puts these into effect, where the power exists to raise prices, and the mom and pop stores that you described, the small enterprise, the corner delicatessen, is still a moderately competitive enterprise.

It is still policed by its neighbors.

Second, on all of these matters, one makes a compromise between what is administratively feasible and what is perfect.

To control the prices of half the economy, 1,000 or 2,000 large corporations, the 200 or 300 major trade union contracts, is not administratively a difficult task.

It would not take a big organization.

If one started out to control every price and every wage, of course, one would find himself with a very, very large organization, and this is something which I would not urge.

Mr. LEVITAS. Just two more points, Professor, and I will yield back.

It seems to me that the history that we have had, the recent history of mandatory wage and price controls as a method to hold down inflation, has been notably unsuccessful.

I haven't seen the Government successfully operate many things, and certainly its most recent experience during the Nixon years in price controls and wage controls proved to be a disaster, it seems to me.

And your testimony, I thought, was notably lacking in its emphasis or lack of emphasis on what should be done about Federal fiscal and monetary policies, having a long-range impact.

Mr. GALBRAITH. Let me say a word about the first point you made which, if I may say so, you correctly identified, a gap in my testimony.

We have all been subject to some extraordinary brainwashing on this past history, and the American people will remember the history much more accurately than a University of Chicago professor, to whom we have been subject on this particular issue.

It's nonsense. In the past, it has worked.

In World War II, prices were held through that enormous conflict when we diverted nearly half of our gross national product to war.

There was a lower overall increase than we will have last year and this year, for the whole 6 years.

From the time the controls were fully effective in 1943 until they were taken off in 1946, the Consumer Price Index was stable.

There were some things that were not available, but in the aggregate we did not suffer a diminution in the supply of civilian goods in World War II.

There was a shift in the make-up, but no reduction of the total amount.

The control with President Truman, at the behest of the Congress, put on for the Korean War, broke that inflationary spiral.

Mr. Nixon's controls, while they were put on by people who did not believe in them, one does not associate John B. Connally as a lead figure in the control, the management of the American economy, or something we may want to remind him of as the election develops.

Or George Schultz, who was Under Secretary of the Treasury.

These controls were administered by people who detested it.

But, by the time they were put on in the middle of 1971, and by the time of election they had brought inflation down to less than 5 percent, they had brought unemployment down to less than 5 percent of the labor force, and neither inflation nor unemployment was a factor in that campaign.

Mr. Nixon was elected by the votes of every State of the Union except the enlightened Commonwealth of Massachusetts, the District of Columbia.

How in hell can people say that was a failure?

Now, George Schultz took them off because he said they were working well and would not be needed.

He later said, in talking to Mr. Nixon's memoirs, that they are not programs, the last word in inaccuracy, that he very much regretted that decision.

I do believe too much demand, too much pressure to build up behind them, that they did not sufficiently address themselves to the second part of your question, which was the need for the longer-run fiscal and monetary restraints, to which I agree, and to which I averted in my testimony.

But to say that they were failures is hideous nonsense.

Mr. LEVITAS. Thank you.

I appreciate your comments, Professor.

Mr. GALBRAITH. I am sorry to be so vehement on that point.

Mr. LEVITAS. I just recall what the inflation was immediately after the controls went off in 1974, and——

Mr. GALBRAITH. If we have strong unions, Congressman, and strong corporations, then we have to continue and keep the restraints.

Mr. LEVITAS. Indefinitely?

Mr. GALBRAITH. Absolutely.

Mr. LEVITAS. In closing, let me say this: I am somewhat in disagreement with both your observation and that of my distinguished and beloved chairman, that the controls that worked better on wages and prices—if you look at the recent Teamster settlement, which I think is the blueprint for the future, I think it is hard to say that they successfully held down that type of wage demand.

Mr. GALBRAITH. I must concede that if this is pattern setting, there could be a change, although there is also a considerable possibility that if we do not have a firmer policy, that the price increases will outrun even that Teamster settlement.

Mr. LEVITAS. Thank you.

Mr. ROSENTHAL. I think during the course of the testimony today, you will find that most people are untouched by that kind of Teamster settlement.

Congressman Weiss?

Mr. WEISS. Mr. Chairman, thank you very much.

As you know, I do not have the privilege of serving on your subcommittee under your excellent leadership, but I do want to take this occasion to first express my appreciation to Professor Galbraith, who is a leader in the area of trying to deal realistically with the economy and its problems, and then primarily to express my appreciation to you, Mr. Chairman, for conducting these hearings across the country and letting the sentiment of the American people really be finally heard.

Thank you very much.

I am going to take my leave now because I have other commitments.

Mr. ROSENTHAL. Thank you, Congressman Weiss.

Congressman Williams?

Mr. WILLIAMS. Thank you, Mr. Chairman.

Professor, about 10 days ago, you wrote a short letter to the New York Times, somewhat critical of, I believe, in your terms, the "Bankruptcy of Ideas" among members of your profession in and around Washington. I would like for you to expand upon your thoughts and the reasons for your expression of disappointment.

Mr. GALBRAITH. Well, I have some sympathy for my colleagues in Washington.

In the years, Congressman Williams, there were 20 odd years there when the economy tended to run at less than full capacity.

No need to be pressed very hard on anybody from Youngstown—but the policy in those years, the economic policy, was not one to contend with inflation, but was one to contend with idle capacity, unemployment.

A policy which in turn was acquired, on the—lower interest rates, greater public expenditure, lower taxes, those are the means by which you expand the economy, and in consequence the economic policy was always, in those years, pleasant.

All of those things are just lovely to do.

No one should doubt that my generation shows the right time to be economists.

We had perfectly delightful policies to recommend in those years.

I think it is fair to say the President and Congress have had a very difficult time making the transition over to a policy which required economists to be, on the whole, very disagreeable people.

You have to be very disagreeable with particular groups in order to extend the benefits to the public at large.

None of the things that I have urged this morning are very pleasant to do.

It is not pleasant to have to deal with corporations.

It is not pleasant to have to tangle with the AFL–CIO, and nobody gets any great marks from the President if he has to demand higher interest rates or higher taxes, and I think that it is fair criticism to the President and Congress that they have been looking for easy ways out, they have been trying to simulate taking action, and taking action.

I don't want to be partisan in any sense, but there have been, in some measure, in the tradition of Mr. Ford's WIN button, the Council on Wage and Price Stability is a toothless organization without power.

There was, for a long while, talk of monitoring prices, and that the monitoring has a nasty overtone of wiretapping and, therefore, it was intended to give the American people a notion that something unpleasant was being done.

In fact, I think it is fair to say that they have been looking for easy ways out of the problem where none exists.

Mr. WILLIAMS. I am sure you were glad to hear the suggestion last week that the administration should set individual price rise targets for each major industry. How do you feel about that approach?

Mr. GALBRAITH. Mr. Congressman, I have normal optimism about even the ability of my fellow economists to learn, and I am sure that that process—that very difficult process of education by experience—is underway.

I know, myself, how difficult it is to change one's mind.

I am reminded of one of the notable comments of Churchill.

Have you ever heard it?

"I have often had to eat my own words and I found them a most unwholesome diet."

Mr. WILLIAMS. To what extent is this particular inflation, a demand-induced inflation?

Mr. GALBRAITH. I think we must regard economic life as being in a constant process of change, and economic policy as being in a constant and somewhat delayed process of accommodation.

The change with which we are dealing here is the steadily increasing power of organized groups.

I can't think that there is any doubt about that.

So that we have a constant intrusion into the inflationary problem of what has come to be called cost-push inflation, inflation induced by powerful groups.

I would agree with Walter Heller that in these last months, as the inflation that is brought about by the pressure of demand, has also been a growing factor, and that is the reason why I find myself adding emphasis, fiscal and monetary policy, and urging that there be no one solution at the present time.

We must think of all of the available steps.

Mr. WILLIAMS. We are talking, obviously, about the demand for energy and food resources?

Mr. GALBRAITH. Yes.

I must add that I am very much impressed with that one step in this process, one longer run step, which the legislation, Congressman Conyers has introduced, to bring some greater bargaining strength to the buying side of the oil problem. It is legislation which is a very logical answer to OPEC.

I don't think one can complain about the oil-producing countries getting together and fixing their prices. This is something that we have been doing for years with regard to the prices of the things that we sell them.

But we can ask that there be bargaining power on the other side, and the notion of a purchasing corporation which would bring effective bargaining power, the manner of the trade union dealing with a corporation, is a logical answer there which I find very appealing.

Mr. WILLIAMS. Thank you, Mr. Chairman.

Thank you, Professor.

Mr. ROSENTHAL. Congressman Conyers?

Mr. CONYERS. Thank you very much.

I would like to identify myself in what may be harmful to you, Dr. Galbraith, as your chief supporter and student in the Congress. Having said that, I want the record to show I also invite you to the Congress annually to open the connections and the discussions between politicians and economists on the very important business of governing, and I am very grateful that you have always responded.

Now, having said that and having agreed with everything that you have said, and realizing that the chairman's questions were probably going into the heart of the matter of this hearing, I would like to take this time on just three points that are, to me, very important and very related. I would just like to test your reaction to this first observation:

That today the labels of capitalism and socialism, Democrat and Republican means almost nothing or very little. The real difference is between those who are content with the distribution of wealth today and those who seek after a large-scale redistribution. As I go on in my work, I think increasingly of redistribution, that what we are all struggling about is, how we are going to redistribute the resources of this country, and I begin to look upon myself as redistributionist.

Am I taking leave of my senses, or can you give me some assurances this morning?

Mr. GALBRAITH. I must say, Congressman, that your reference to our agreement being damaging to me, there are forms of guilt by association that one can survive, and I am even welcome—indeed, I greatly welcome—that all societies must seek to greater economic equality, and one should never think of this as a radical measure. The capitalism, the free enterprise system could not have survived this long had it not been part of the effort now for 50 years to spread the benefits of it in a great variety of ways. If it had shown the tendency that it was developing at the end of the last century to concentrate the great wealth in a few hands, not in the least in this country, we wouldn't have tolerated it. So, if I were departing from you at all, it would only suggest that one should not think he is gaining a reputation as a radical in this regard.

In urging and arguing for a better distribution of income, one is insuring the strength of the system.

Mr. CONYERS. What in your mind is the relationship between jobs, equality, and peace?

Mr. GALBRAITH. Well, maybe we better have another hearing.

Mr. CONYERS. Well, I told you I thought all the immediate questions had been asked, and I am now taking an opportunity to connect these up, if there is a relationship in your mind.

Mr. GALBRAITH. Let me say that there certainly is. One of the reasons that the Japanese and the Germans have had much more manageable economies since World War II is that their investments, partly as a result of our restrictions, in arms has been very much lower than ours. The consequence is that in both of those economies a very much larger portion of their public and private expenditures goes into high job creation activities rather than into low job creation activities.

We should never forget that one of the great problems of a very large arms expenditure is that it goes to very high occupations and employs very few people.

And the fact that the Germans and Japanese have had very low arms expenditures since World War II—well, it meant two things.

Much more capital for the investment in their civilian industry, with great productivity consequence, and they have had a much easier problem of job creation because they haven't been syphoning off a large amount of capital into the kind of expenditure which goes for very low employment return.

Mr. CONYERS. Why in our public and personal discussions do you blame the President's economists and not the President?

Mr. GALBRAITH. Well, I think I could revise that and say that the President, giving him whatever sympathy one has, does have to take responsibility for his economists, and that we should ask the President to see that his economists have been—well, if I may address myself directly to my friend, Mr. Blumenthal, he came before the Congress one day last week and said that things would get worse, the profits were not too high, and I was shocked at the impression that he had, that this was not his responsibility.

I suppose that is the reason that I singled him out for mention, but I confess that the President does have the right to hire and fire his Cabinet and his economic advisers.

Mr. CONYERS. Finally, Dr. Galbraith, is there some area between you and myself and Dr. Leon Keyserling in which there exists an honest and amicable difference of view on the importance of a full employment economy and the implementation of H.R. 50, which is now the law of the land and is being ignored from beginning to end?

Mr. GALBRAITH. I supported Humphrey-Hawkins against—I testified on the same day that Charlie Schultz did, who opposed it.

I did believe at that time that Humphrey-Hawkins needed stronger, specific reference to the problem of inflation, and I would have very much liked to have seen that legislation included for authority for control.

I think it is fair to say that I emphasized this—rather, more strongly than Leon Keyserling did, although Leon and I do not disagree on that.

I would like to say in my own defense that we both belonged to an era in Washington where it was felt that economists were meant to be unpopular.

Mr. CONYERS. I want to thank you for your responses, sir.

Mr. ROSENTHAL. Thank you very, very much, and again my personal thanks to you in coming down to New York City from Boston for this very important meeting.

Mr. GALBRAITH. Thank you, Mr. Chairman.

Mr. ROSENTHAL. We intend to move both carefully and expeditiously.

We will call people up in groups and everybody here and everyone who shows up today will have an opportunity to testify, and we will all try and make sure that objective is accomplished.

Our next group of witnesses, Ms. Carol Feinman of the Community Services Society of New York, and Cora Greenberg of the United Neighborhood Houses, and both of you should bring up with you any of your associates or colleagues who accompanied you here this morning.

Everybody ought to identify themselves for the record.

STATEMENT OF CORA GREENBERG, UNITED NEIGHBORHOOD HOUSES

Ms. GREENBERG. I am here representing the United Neighborhood Houses and 37 settlement houses of New York City.

I want to thank you very much for inviting us to speak and for holding these hearings around the country to get your firsthand impression from the consumers and consumer advocates.

The United Neighborhood Houses is a federation of settlement houses around New York.

They are all independent multiservice community-based agencies.

They offer a range of services to community residents, from little children in day care to senior citizens in nutrition programs, youth, young adults and everybody in between.

My particular role at United Neighborhood Houses is that of the field coordinator of our home management program, which has a component of consumer education and family life management instruction.

You mentioned in your prolog the four necessities of health, energy, food, and shelter, and that these really take up the huge proportion of most peoples' budgets, and that they are going up in price a lot faster than the so-called luxuries.

When you are on a fixed income or you have a limited income, you reach a point where you can no longer just eliminate the luxuries.

You start making choices between the necessities, and that is a very desperate situation.

Mr. ROSENTHAL. Where do your groups come from?

Ms. GREENBERG. They are all over New York City.

They are multiservice community-based agencies, serving low income and middle income communities around New York.

Mr. ROSENTHAL. All right, go ahead.

Ms. GREENBERG. Our assembly houses are located in four boroughs, mostly in low and middle income neighborhoods.

Mr. ROSENTHAL. Tell us what is happening to the people as a result of inflation.

That is what we are here for.

Ms. GREENBERG. I think one of the things that is happening is——

Mr. ROSENTHAL. We want to know what is happening to the people, not institutions.

Ms. GREENBERG. I am not talking about institutions.

People on low- and middle-incomes are reaching the point where they have to make choices between necessities for their families.

It is not a question of cutting out the long trip to grandma's house in the gas-guzzling car, or cutting out a fancy dress for a party.

It is a question of choosing between food on the one hand and perhaps health care on the other hand.

That is a very desperate situation for people to be in, and that is the situation that many of our constituents and participants in our program find themselves.

They also find themselves feeling very frustrated and resigned to inflation.

They go into the supermarket expecting every week that the prices will be higher, and they are higher.

I think what is happening is that it is difficult for them to tell when the prices really are due to inflation and when they are due to gouging.

We certainly know that businesses are interested in making profits and maximizing the profits, and some of the price increases that are

reported to us by our participants don't seem to have anything to do with inflation.

We were interested to hear about the policy of the Star Markets in Boston, who started to question their suppliers on the basis for price rises, but consumers do not have the wherewithal to do that.

They are not going to write to all of the different food companies and say, "Tell us why your prices are going up."

More and more the pressures are on the consumer to deal with the inflationary prices with no recourse.

They don't have the wherewithal.

They are expected to read the labels and they are expected to shop wisely, and they just don't have the resources individually to do this.

We are finding that the demand for our services, which are basically aimed at low-income adults, are being sought more and more by middle-income adults.

This is budget counseling, classes on home sewing, classes on consumer education.

We are not allowed to serve people above a certain income level, and yet we are being besieged by these people who are now getting squeezed into this process to get these services—inflation.

I believe someone mentioned that the pressures are on consumers to buy things now rather than to save for them because they know they will be more expensive, and this is leading a lot of people into trouble with consumer debt.

We find that a lot of people that are coming to our centers are in trouble because they owe too much money, and there is no way for them to pay.

There are some services available to refer them to, but it seems to be a growing problem for people at all income levels.

They are just borrowing more and more.

They find themselves in a deep hole after a very short time.

Another thing that is happening is that Government programs are not being expanded.

Our program, the home management program, or other programs that are aimed at helping people learn to manage their money better or to be better consumers, are not expanding.

Some of them are being cut back at a time when more and more people need these services, rather than fewer and fewer people.

This seems to be very short-sighted and unfair.

Again, the burden of the whole control situation is falling on those people that can least afford to have these cutbacks.

An example of this would be the food stamp program.

We are finding that, although the new regulations allow some senior citizens, for example, who would not have been able to participate before, to get the advantage of food stamps, a lot of families who are dependent upon them have been cut back or cut off the program at a time when they need them more than ever.

Mr. CONYERS. Is there anything valid about the statements that there are old people in this city that are eating dog food and cat food?

Ms. GREENBERG. Oh, yes.

That has been going on for quite a while.

I think people are becoming almost specialized as to which ones they like and which ones are the better brands to buy.

I find committees of various Government groups, or whatever, are always surprised to hear this.

We reported that certain supermarkets or certain merchants regularly raise their food prices on check days, only to go back down again a few days later when most people have spent their money.

This is very shocking to those people who may not be familiar with it, but it is a day-to-day practice in many of our neighborhoods in New York City.

Mr. WILLIAMS. Is there a group that monitors or checks these pricing indexes?

Ms. GREENBERG. We have reported this to the Department of Consumer Affairs in New York City, and they are helping us investigate it.

Our program is also trying to have citizen monitors go out and keep an eye on it, but it is such a difficult thing to check every supermarket in New York, and it is beyond the capacity, I think, of any agency that is presently being operated.

Mr. WILLIAMS. Thank you.

Ms. GREENBERG. That is basically all of my points, Mr. Chairman.

I have with me today Miss Lenora Hernandez, a participant in our home management program. She would like to make a statement.

STATEMENT OF LENORA HERNANDEZ, HOME MANAGEMENT PROGRAM, UNITED NEIGHBORHOOD HOUSES

Ms. HERNANDEZ. I feel that inflation, the cost of food, is incredible.

I have a child and we know how important good nutrition is to children, but how can you give good nutrition to your children if you cannot afford it?

It is like if your child needs a pair of shoes and you have to buy dinner, so you buy dinner, but there goes the shoes.

The kid goes around without shoes.

I went to a meeting on May 16, and I asked them there what their views were on inflation.

They all complained about the cost of food.

To me, really, the cost of food and the way the cost of living is, it is really hard.

Mr. ROSENTHAL. Has the situation gotten worse in the last year, the last 3 months, or the last 6 months?

Ms. HERNANDEZ. Yes; it is really worse.

Like I could go to buy a steak at the supermarket this week and I can't afford it. I have to buy the chicken.

Mr. ROSENTHAL. How about chicken prices?

Ms. HERNANDEZ. Well, you have to substitute it with either that or ground beef.

It's that way. I am serious.

Mr. ROSENTHAL. I know you are serious.

How about ground beef? How is that?

Ms. HERNANDEZ. If you can't afford that, you substitute with something else.

Mr. CONYERS. What ought we to be doing?

The two things this subcommittee needs to know are the painful effects of a wage/price inflation spiral that is not working—that is, a

program that is not working—but we also need to be told what ought to be done because all of the wisdom does not reside in the Capitol.

Do you have any ideas about where we ought to go?

Ms. GREENBERG. I wish I were an economist because I would like to be able to give you specific programs.

I think the two things to bear in mind are, first of all, that I do agree that the burden for all the controls, or the burden of inflation is falling way too—the burden of controlling inflation is falling way too heavily on consumers and wage earners, that there doesn't really seem to be any noticeable effect on prices.

I don't know exactly what is being done, but we don't see it at the supermarket level.

The other thing I believe, that programs should not be cut at a time when people need their help more than ever.

I think that is a foolish way to try and control Government spending, and I am privileged to agree with Professor Galbraith in that way.

I don't think that that is effective, because you are just leaving those same vulnerable people high and dry all over again.

They are not the ones that are causing the inflation, but they are the ones who have to bear with it.

Mr. ROSENTHAL. Thank you both very, very much.

Our next witness is from the Community Services Society of New York.

Do you want to identify yourself and your associates?

STATEMENT OF CAROL FEINMAN, DIRECTOR, DEPARTMENT OF PUBLIC INTEREST, COMMUNITY SERVICES SOCIETY OF NEW YORK

Ms. FEINMAN. Yes.

Mr. ROSENTHAL. What is your name, please?

Ms. FEINMAN. My name is Carol Feinman.

I am the director of the Department of Public Interest at the Community Services Society of New York.

The Community Services Society is one that——

A VOICE. A little louder, please.

Mr. CONYERS. That microphone is not working, Mr. Chairman.

Mr. ROSENTHAL. I don't think any of these microphones are doing too well, frankly.

Ms. FEINMAN. The Community Services Society is one of the oldest and largest nonprofit civic agencies in the country.

For over 130 years it has been serving the disadvantaged New Yorkers.

When we found that the subcommittee was having a hearing on the impact of inflation, we asked our program directors, and we have 11 district programs throughout the city of New York, the elderly, the handicapped, the poor, the delinquent kinds, you name it, every variety of social disfunction, and the program directors asked some of the people in the programs whether they would like to come and testify on the impact of inflation for your committee.

So, four of the people in the programs volunteered to come and talk about their own experiences.

The three young women who will testify, who will talk about their own perceptions of the impact of inflation on their own lives, and the gentleman here has a particular role in CSS, he's a volunteer chairman of something called the Senior Action Line, where elderly people in trouble call up with whatever problems they may have.

So, he can speak from that vantage point, and the other three people will be speaking from their own vantage point.

Mr. ROSENTHAL. We are very grateful for you people to volunteer to do this.

People don't always like to come into courthouses and appear before congressional committees, and we are very grateful to you.

Mr. CONYERS. A lot of Congressmen don't know what you are going through, and that is why these hearings are given, so that they can learn what it is like.

Mr. ROSENTHAL. Go ahead.

STATEMENT OF ROSA FRAZIER, CHAIRMAN, SINGLE PARENTS FAMILY PROJECT, COMMUNITY SERVICES SOCIETY OF NEW YORK

Ms. FRAZIER. My name is Rosa Frazier.

I am the chairman of the single parents family project at CSS.

As a single parent, I find myself—and I should say I am in the middle-income earning bracket—I find myself with a constant struggle with food costs, which puts me on edge.

Each time I enter a supermarket, it makes me very upset.

From week to week, from day to day, you find items that are constantly up 5 cents, up 10 cents.

You no longer buy the things that you like.

You buy the things that you absolutely need—food.

I mean, meat is becoming a luxury.

You can no longer go out and buy a roast because it's $10, and what are you getting?

It's about two-bits long [witness indicating].

It's ridiculous.

You are constantly trying to find substitutions that still has the same nutritional value, which is a constant struggle.

One doesn't know where to turn.

Then there's the cost of housing.

A middle income person is strapped against the wall.

Mr. ROSENTHAL. In terms of numbers, what is a middle income person?

Ms. FRAZIER. Well, for example, I make about $20,000 a year. OK?

I cannot get up tomorrow and say, well, I want to move, say, for example, to New Rochelle, for the simple reason—I may want to, that's fine, and I may choose a certain neighborhood, but the cost of rent is so enormous, and I have someone else that I am supporting, and I am by myself.

It's very difficult.

There is no means, there is no way for single parents like myself, no place to turn.

Sure, I may move into that neighborhood, but, therefore, I must give up something that I want to enjoy, that I may want to enjoy.

I mean, I can't take a trip.

Going to the movies or going to dinner is just out these days.

You don't have the money for it. There's no way.

After you bought food, paid your rent and paid the utility costs, there is very little left, if anything at all.

Your child needs clothing, but a pair of shoes for my son is $20.

His shoes are higher than mine.

It's really ridiculous.

I find it's a constant struggle, and there is no way for you to turn.

Mr. ROSENTHAL. Have you felt that prices have been held down the last 6 months or a year?

Ms. FRAZIER. I just don't agree with that.

I would go into a store—I am constantly working on a budget.

I even need charts, "Does this item reduce this week?"

It did not.

You find yourself going from one supermarket to another, comparison shopping.

For a poor person that cannot get from one area to another, how do they survive?

They are stuck in an area where they must pay the enormous prices, and the poor neighborhoods are the neighborhoods where the prices are skyrocketing, they are higher than ever.

There's no way for the people to turn.

Mr. CONYERS. I know what you mean.

I paid $1.29 for a small package of toothpaste last night in New York City.

I could hardly keep a straight face when I paid it. I should have subpenaed him. [Laughter.]

What can you do here, Mr. Rosenthal?

Mr. ROSENTHAL. Go back to Detroit.

Mr. CONYERS. Earlier than I am already leaving?

Brush your teeth with soda. [Laughter.]

STATEMENT OF CARMINE ORTIZ, WELFARE RECIPIENT

Ms. ORTIZ. My name is Carmine Ortiz.

I am a welfare recipient. I have four children.

I have one child who is very ill. She is an asthmatic, she is in the hospital, and I do not get any income for my daughter.

She is in the hospital.

What I get for the other kids I share with the one in the hospital.

Two weeks ago, she was going to be suspended from school because she did not have a pair of sneakers.

I had to borrow money so that my daughter could have the sneakers and she would not be suspended.

Last week my daughter made her first communion, and I did not have a white dress for her.

If I can go out and get a job, I would, but I have four kids.

It's not easy.

With the prices, the clothing, and I have to do laundry, there's a lot of things I have to do, activities for the kids, you know, you want to keep your kids growing up the right way.

I cannot have them in the street, so I try to send them to the community centers, the Boy Scouts, and I cannot afford that, but I try my best.

STATEMENT OF LAURA VIZET, CITIZEN

Ms. VIZET. My name is Laura Vizet.

The largest impact of inflation is the complete inability to save or to keep a cushion.

I have a 9-year-old son.

The clothes last year when I replaced——

Mr. ROSENTHAL. Just a moment, please.

There is something wrong with the microphone.

This is working good because we sent two people up here yesterday to make sure everything was shipshape. [Laughter.]

Ms. VIZET. I have a 10-year-old son.

In order to replace the clothes that he has grown out of and has ripped, which is almost every day, it would cost approximately $150 for about four pairs of jeans at $15 apiece, a pair of sneakers, shirts which I cannot get for less than $8.

The first thing—I work on, say, about $175 a week net.

I always assume I am going to be able to put away $10. No way.

My rent has gone up.

Somebody comes up to my son for like a trip to the Bronx Zoo, you know, for the school.

He needs $7. There it goes.

A medical bill; I had to go around and borrow money from the people in the building.

If, for some reason or other, the first thing to go is for medical care, you know.

I cannot get dental care for 3 years.

I finally got dental care, I got a loan for it because the pain was beginning to interfere with my life on all levels.

The first luxury to go is medical care.

If I had a medical emergency now and couldn't work, I would go just straight on welfare.

Every time that there is a little bit more money, and you assume that you can save, it gets eaten up at the supermarket; with the rent increases; it gets eaten up by something like having to go to an emergency room.

Therefore, when I am trying to provide a future for my son, the only thing I can look at is what I bring home in an individual paycheck, what is in my pocketbook.

We can't afford anything outside of what is already budgeted.

There is no way—the people say, "Are you going to send him to college?"

I don't even know if I am going to send him to high school.

The other problem is the fact that I would like to give him certain very small things, like a pair of roller skates.

I would get him them, but they would cost $20, and I will not go to lunch that week.

It's that simple.

There is something basically humiliating about having to wait for your paycheck to buy a pair of stockings, and it's not mismanagement.

It's the fact that there is no way for accounting for the next thing that is going to jump.

Mr. CONYERS. Is your condition worsening?

Ms. VIZET. Yes, I think partly because—for my son to take out a friend for a piece of pizza, it costs $2.

I have a $5-a-week allowance for him, which sounds very large, and it's not—I don't want him to grow up always figuring to ask me for anything that is going to cause a total disruption in our life. For him to get roller skates means that I don't pay the rent, you know.

I didn't pay the rent when he had to go to the emergency room.

I would like to send him to a camp, and the camp runs about $350.

I don't qualify for the Fresh Air Fund, but that's about $350.

At what point do I save that?

I save it and then something happens and it's gone.

In terms of being worse, yes, I went through a rent increase, and I hadn't planned on that one.

I would like to paint and I can't afford the paint.

If I want to do something as simple as painting two rooms, I have to think about it for 2 or 3 months in advance.

The subject never gets out of your mind, never gets off your mind.

You can never say: "Let's go out." You don't.

Mr. CONYERS. Are there other people like this in New York?

Can you give the subcommittee an impression of how many people are in your position?

Ms. VIZET. Anyone who is making—let me pick a number—with one wage earner who is making $15,000 a year or less, and has at least two people to support, is in that position.

My friends who are married who are both working and have, say, three kids, and they are strapped.

I think very few people are not in that position.

I think if some people have enough of a position to absorb it, $5 a week extra, it is not crippling for them, but I am not in that position.

Mr. ROSENTHAL. Thank you very much.

Ms. FEINMAN. We could have brought many, many more people who are in that position, and the reason they didn't come was not because they are not in this position, but because it was too hard for them to come or they were afraid to come.

It is not easy to come down and testify before a committee.

Mr. ROSENTHAL. All right, thank you.

Sir?

STATEMENT OF HARVEY CONHEIM, VOLUNTEER WITH SENIOR ACTION LINE, COMMUNITY SERVICES SOCIETY OF NEW YORK

Mr. CONHEIM. I'm Harvey Conheim.

I am a volunteer with the Community Services Society, the Senior Action Line. It is a hotline that operates 2 hours a day, 5 days a week.

It is accessible to senior citizens who are looking for assistance.

We have an average of about 300 calls a month.

I would safely say, more or less, that they all relate to some financial problems, that is the basis of practically all their problems.

But, for direct assistance, I would say about 30 percent request some additional assistance over and above their entitlement.

Those who are on SSI are more fortunate than those who make $50 to $100 a month above that, they have to depend strictly on medicare for their medical services.

They, with the additional medical costs and food, which everybody has spoken about, has almost become a luxury.

They are also struggling with their rents.

It's unbelievable.

They may be getting an income of about $400 a month, and spending almost more than 50 percent of it on rents, and they just can't make it, and there's not much we can do when they reach that limit except stall them or turn them over to the Community Service, the regular Community Service, to go over their entitlement to see if there is anything additional that they can drag out here and there.

I think that more or less sums up everything that I have to say.

Mr. ROSENTHAL. Thank you all very much.

It was a very informative discussion.

Mr. CONYERS. You are all very articulate, and we are very pleased that you have come before the committee.

You have really expressed yourselves excellently.

Mr. ROSENTHAL. Our next witness is Reverend Mann from the Helping Hand Community Center.

Go ahead, Mr. Mann. We are delighted you could be with us.

STATEMENT OF REVEREND MANN, HELPING HAND COMMUNITY CENTER

Reverend MANN. Thank you.

Mr. Chairman and the members of the subcommittee, I thank you for inviting me and I am happy to be able to testify.

And I am saddened because there is a need for inquiry into this type of situation, but on behalf of the constituency which I serve, which is the Harlem community, the black people, and also that our constituency also comes from some of the other inner city areas, Bedford-Stuyvesant, South Bronx, Brownsville, and I would say that we are at a time when we have nothing.

Sixty percent of the income which black people make is spent on rent and the other 40 percent on food.

There is nothing else. There are no frills.

Shelter, food, health care and clothing is causing great suffering in our community, and as the young woman said before, usually you find that we start to discard a lot of things, for example, health care, clothing, rent—the prices of rents are escalating at an astronomical rate and it is sad because there are so many stories I can tell, and I hope that this hearing will bring an ease.

One of the things I guess that the subcommittee and others would ask is: "What are you proposing that we do so that we can take it back to the Members of the Congress?"

One thing that I find is very, very sad, especially with my constituency, is that there is no one to hear, there is no one to take the problems to for the inner city sufferer, black people, which means that people have problems, and I will give you an example of a few, and what do they do?

They go to the department of social service which is overworked, bureaucratic, and seemingly cannot adjudicate or help them in their problems.

Our center is called the Helping Hand Community Center.

Actually, it should be called multihands, we should be the Octopus Community Center, because that is what we would need in order to help the people.

We have in my constituency many single parent households where there is not—and I always hear the news reporter, the newscasters talk about "The family of four"—in the inner city they are much more.

There is the family of 10 and the family of 12, and that is the normal family.

The family of 4, they talk about the cost of living going up so high for them.

That's one thing, but we have many children, black youngsters, living in homes where there is a single parent household, with 5, 6, 8, 9 and 10 children, and she cannot send Johnny and Jane to school adequately dressed.

And then the corollary seems to be, "Why do Johnny and Jane get into crime episodes?"

They go to school hungry and they come back home hungry and they go to school improperly clothed, and that is normal for the inner cities of New York City.

It is sad that black people in New York City are going to bed hungry.

America, once a great Nation, needing to place food in the mouths of others, now has forgotten that they should be placing food in the mouths of their own.

This is very important because it is not just an idle statement to say that people are going to bed hungry—they are.

We have weekly meetings at the center, trying to air the problems, and we hear that people do not have enough to eat.

I would have brought more people to the hearing, but they didn't have the 50 cents to pay for the subway ride here.

Trying to find the low cost of food; basically, they are wearing out their shoe leather trying to find out where they can find the best buy.

Our problems, unemployment, lack of quality education, housing, and vital services, uneconomic growth, urban blight and discrimination, are also the Nation's problems.

We feel that these are heavily concentrated among the Nation's 30 million black people, certainly here in New York, among the black people suffering here.

We think there needs to be a focus on the inner city minority community, and there should be a remedying thought.

One of the things, I think, is a special task force that is needed in minority areas where people are suffering, so many programs are funded, and, I don't know, I sometimes wonder why they are funded because their outreach program is that they don't get down to the poor people who need them, the poor people who do not have enough to eat, the poor people who do not have clothing.

I think that all of these economic ills is going to cause us to fall as a nation from the lofty place of adjudicating situations in other countries.

If we want to take a closer look at our poor people, that there are people who have problems with paying their rent and are being evicted, and to find any decent housing in New York City a person has to pay at least, minimum, $250 a month.

The other thing is that you have another choice, it's either that or you have the choice of living with rats and roaches, and the other things you deal with there, and even exterminators from the city department don't come out, the health department has failed.

Deaths are occurring astronomically with babies, because they are finding out that a lot of mothers that are young—the children are actually hungry, and even if they are young mothers, they have not been schooled in nutritional and proper health care, so it is also causing the deaths of a lot of people.

Now, I think that it would appear to the Helping Hand Community Center and the constituency which it serves that one realistic approach, rather than to chop up big business with incentives to manufacture jobs, these same incentives could be provided to local businesses within black communities.

This type of program would foster employment and economic stability.

In addition, a program modeled along these lines would save billions of tax dollars as the vast numbers of persons receiving welfare subsidies and unemployment benefits would be substantially lowered.

There is a great need for us to mediate with landlords.

Over the past month, many people have received eviction notices simply because they could not pay their rent, not that they used it for any frivolity, but because they were trying to keep up with the skyrocketing costs of food.

Mr. CONYERS. Reverend Mann, you have enumerated a number of items that indicate a failure of Government at the local level and at the national level.

Reverend MANN. Yes.

Mr. CONYERS. Has not the church failed in some ways, as well?

Reverend MANN. Yes, I agree with you, and I am here to testify to that, too.

The church has failed, yes.

I think that many ministers—the Helping Hand Community Center, by the way, is not funded, and it is a program that was started from the church because we saw the great need to help.

I think that many ministers who keep their churches closed all week long and open them on Sunday to pass the plate should be—should go along with proper guilt, and I think that they also have failed.

One of the things I am asking the chairman and the subcommittee is that, if they could set up a task force, we cannot hear all of the problems of the people, poor people from Bedford-Stuyvesant, the South Bronx, Harlem, and all over, and the churches, as I say, won't do it, because they figure to bicker with ideologies, bicker about ideologies, and so forth, but I think that there is such a great need, that there is so much philandering and debating in the wings with church, State, corporate, and the poor people are left in the wings suffering.

You have to rise early in the morning, as I do, to mediate with a landlord so that a poor person will be able to stay.

You have to rise early in the morning to go to court to try to intervene and to speak with the various judges, asking them "Let us take Johnny or Janie into our program. Don't put them in jail."

And we find out, trying to get to the crux of the problem, we find that Johnny and Jane are in that court because they stole—it used to be that you would see it in the movies of the old East Side, but you would see it now as a reality that children are snatching, again, apples, oranges, bread, and cookies, and they are being picked up.

They are going into department stores and picking up things not just for the sheer fact of committing a crime, but because of need.

Mr. CONYERS. Have you found that senior citizens are doing the same thing?

Reverend MANN. Yes.

I find that the older cases, a lot of those who have been brought down before the courts, too, because they can wear coats and carry more baggage, and seemingly they also, when they have gone into a department store, or any store, because of the rising and ranking need of hunger, and, if anything, I can tell the subcommittee here today that hunger is running rampant in this land, and especially here in New York City.

I ask the subcommittee, please come, take a walk with me through Harlem and other inner city areas, and see the blight and see the hunger, see the inadequate living conditions where people do not have lights because they cannot afford the escalating electric rate, the gas rate, they are now living with candles, and that is not just one isolated case.

There are many black families who cannot pay utility bills.

Heating is out of consideration.

They are lighting their homes with candles and kerosene lamps, and we know they will be burned eventually.

Mr. LEVITAS. To take up a point that Congressman Conyers made, Reverend Mann, the Congress each year, the Federal Government each year appropriates literally billions and billions of dollars, $80 billion to the State and local governments, nutritional programs, food stamp programs, social services, health programs, billions of dollars, and the picture that you described today very poignantly and vividly is that most of this apparently is not getting to where it is supposed to be, that some place between the billions of dollars being taxed on the American people and those who need it, something isn't happening, and yet what concerns me is that every solution that I am hearing being suggested calls for the same bureaucrats to be administering a new program.

Now, why would we think that they are any better capable of administering some new program than they are of administering the billions and billions of dollars that is not getting to where it ought to be today?

Reverend MANN. That is a very good and sound statement, Congressman Levitas.

What I want to say is that I agree with you.

First of all, billions of dollars are being allocated to various programs, and I feel saddened because when I think of our own program not being funded, and I figure that through the many poor ways that we try to fund money, raise money, and I think, first of all, programs

should go through what we are going through, that they have to prove themselves with a track record of helping the people, the constituency that it serves first, before they can ever be funded.

The other thing is that I think for so long we have had poverty, and they have never been investigating these people or taken away from that particular thing, and all of the money seems to be going to the administrative——

Mr. CONYERS. That attaches to the political system.

I mean, those people are being permitted to function as a result of a governmental, political, local bureaucracy that tolerates them.

I think that that goes back to the gentleman from Georgia's point, that somehow our Government is going to have to clean out its own system.

There is going to have to be a rigid oversight.

We find out in the CETA program that they have a $1.8 billion shortfall, and that money is not spent, while millions and millions of youngsters need training desperately.

We can't even hook up the solution with the problem because of poor administration.

Reverend MANN. I think that's good, and I think one of the things is that it seems that everything is focused on giving black people training.

I think there needs to be a great focus on giving black people jobs.

What good is having the training, after you have been trained for a year or two, and you cannot get a job?

First of all, realistically, one loses the training.

Secondly, if you can't get a job, it moves on—if you do not have food, if you have no place to stay, and it seems that you join the statistics of escalating the crime.

One of the things that we hope that we can see here, as I said, is a task force for monitoring Federal, State, and city agencies.

There is a need for a task force which brings people from—one of the saddest things in the inner city community is that you have people representing people who are not really there that knows the suffering of the poor.

I am with the poor every day. I know what the problems are.

An example: Just recently, which has been such a shock—I am so glad that I received the correspondence from Congressman Rosenthal to come here—a 78-year-old woman living in a house with an income of $58 a month.

She was told, after continuously going to various city agencies, she was told that: "You cannot get any more," living in a house, literally drinking and living on bread and water, and sometimes not even having the bread.

I wanted to find out, is this just one isolated case, or is there another?

I went on to find that this seems to be the run of the mill for our elderly, our senior citizens.

It seems to be that their whole income, because they don't know where to go, they can't go, they are afraid to walk out of their houses, so they get a little check for $58 or $78 a month, and they are told that: "That is all. Your husband died and this is yours combined with his."

People who don't want to go through the paperwork and all kinds of other things.

If we had one task force with a guideline that they must monitor, and I mean that they have to come back and show their constituency that they have gotten to the people, I think that is a great thing.

Mr. CONYERS. You are very articulate.

We are glad that you are here before us today.

Reverend MANN. Well, I thank you for inviting me, and I would just like to say that the poor people certainly would like to see—and more than that—certainly need a change.

I thank you for inviting me.

Mr. ROSENTHAL. Thank you very, very much.

We are very grateful to you.

We have a number of people that we think we can put on together in a panel.

Can you wait a few minutes, please?

A VOICE. Yes.

Mr. ROSENTHAL. Is Miss Preston of the Harlem Self-Help still there?

If not, we will take Mr. Frank of the Food and Hunger Hotline.

Is he still there?

The Henry Street Settlement people, are they still here?

A VOICE. Yes.

Mr. ROSENTHAL. Why don't you all come up together.

Are the home management program folks here?

Will you come up, please, and any of your associates.

We will hear everybody together. We will connect the other table up.

And Shirley Kronberg of the AFL–CIO, who drove all the way down from Peekskill.

Are you people doing the monitoring that we hear about?

A VOICE. That's my whole speech.

Mr. ROSENTHAL. I am just curious.

A VOICE. I have some material to show you.

Mr. ROSENTHAL. We wanted to have you before Mr. Bienstock.

A VOICE. OK.

Mr. ROSENTHAL. And then the next witness will be Bruce Ratner, New York City Commissioner of Consumer Affairs, who is in the back of the room, a very decent person and doing a wonderful job with limited resources.

Let's take a few minutes recess.

[Recess taken.]

Mr. ROSENTHAL. Go ahead.

Why don't you tell us your name and who you are, so forth.

STATEMENT OF MAURICE FRANK, FOOD AND HUNGER HOTLINE, NEW YORK CITY

Mr. FRANK. My name is Maurice Frank.

I work with the Food and Hunger Hotline in New York City.

We are a citywide information service in food programs that serves the poor and lower income people.

We hear every day from people suffering the impact of the new food stamp program, its cutbacks, and the cutbacks in other programs, particularly the senior citizens.

We hear from people who at one time had been getting enough assistance from Government programs to deal with the day-to-day rises in food prices, but what we are hearing lately is that people are becoming more and more frustrated and there is more and more feeling of devastation, and that is what is happening and is becoming too much for people to handle.

The impact of rising food prices these days is simply that people are eating less.

A few years ago, people were able to shift from higher priced foods to lower priced necessities.

These days people are being forced to choose between necessities.

Two weeks ago I heard from a woman who said that she was buying fewer medicines and she was seeing the doctor less because she felt that she could do without that, but she could not do without food.

Another woman that I heard from who had medicare said that she had been to her doctor more frequently because she wasn't able to eat well enough to stay healthy.

Rents in New York City are skyrocketing, utilities are going up, and programs to help people are not meeting the rises in prices.

Mr. CONYERS. Doesn't all of this speak to the failure of the political system, frankly?

I mean, you know that we could listen to complaints until we have got 10 million complaints on the record, and then somebody is going to say, "Hey, this isn't working. The bureaucrats aren't delivering."

Not just New York. We have been in six cities.

Mr. FRANK. The defense budget was increased $10 billion dollars for the coming fiscal year, and that I think is part of what you are talking about.

It seems that this Government is lessening its commitments to help people, and increasing its commitments to help corporations and other parts of our society that have power.

Poor people at this point don't have power, and it seems that they are the first people to be picked on when belts have to be tightened.

Well, their belts don't have any more notches to be pushed back.

Mr. ROSENTHAL. Thank you.

May we take the next witness?

Identify yourself, please.

STATEMENT OF JOAN OHLSON, SOCIAL WORKER, HENRY STREET SETTLEMENT, LOWER EAST SIDE OF MANHATTAN

Ms. OHLSON. My name is Joan Ohlson.

I am a social worker and I am speaking for the Henry Street Settlement, located on the Lower East Side of Manhattan.

The agency provides a wide range of service, including social services, health, education, art classes, and cultural programs.

Every day the impact of inflation on this community, whose income is insufficient to live at a decent and healthy level in the first place, we see the desperation and anger.

We have no real answers.

When the welfare mother asks how is she supposed to live on a public assistance grant which is based on 1972 cost of living figures, and we know that we have trouble making ends meet ourselves on our own salary, and the nonrental income of a four-person public assistance

family has lost 16 percent in purchasing power since mid-1974, and the staff knows that it is not a matter of poor management skills when a family runs out of food and money before the next welfare check.

Every month we refer families to soup kitchens or help them find free food to serve to their families at home.

Many of the mothers have become accustomed to going without meals themselves so that the children can have milk and two meals a day.

They go hungry and too often the children are hungry, as well.

The mother knows and you know that the cost of items in the basic, standard diet rose by 8 percent from 1977 to 1978, and these are items that she cannot do without.

Clearly, the message is that our society accepts her hunger and degradation, and pay rent above the maximum rental allowance.

This means that the difference comes out of the already inadequate amount to provide basic necessities.

It also means that the family cannot move when their current apartment is in bad condition because another apartment would undoubtedly cost more.

I work in a program that provides temporary housing for homeless—temporary housing for the homeless welfare family.

A major proportion of the families remain in residences for a long time because they cannot locate a decent apartment at the rental approved by welfare.

The battered women in our program also choose to return to the batterer rather than to move into slum housing.

The utility costs are much, much more than the amount allocated.

There is $15.48 included in a check for a family of four, but the actual cost is $43 a month.

When the family is unable to pay the bill because they had to spend the money on food, rent, other necessities, such as carfare and clothes, the electricity is turned off, and the family then can go to the welfare center and have it put back on, but the amount of the payment is reduced from their already inadequate welfare check.

So, the family who cannot pay the bill is now expected to live on even less money and still keep up the current bill.

Mr. CONYERS. A person thus could end up with a negative allowance if their bill was high enough?

Ms. OHLSON. Our feeling is that they start out with a negative allowance and it ends up being more minus because of the things that happen. Our clients look to us for assistance and answers, and on these essential areas we are unable to help them.

I hope that the subcommittee will pay attention to the seriousness of the situation and develop legislation which will help relieve the emotional, physical, and financial burdens of inflation on the welfare family. The Government must face up.

All of us experience the impact of inflation, but poor people suffer the most. If there is any doubt in anyone's mind about the impossibility of living within a public assistance grant, I encourage you to try it for one week. You are also invited to spend a few days living at the Urban Family Center, Henry Street, the program in which I work, where you can experience firsthand what I have tried to convey to you.

I assure you that your perspective on poverty and poor people will never be the same, and I expect that you will emerge as the leader in the effort to provide more money for poor people.

Even if you cannot take advantage of this opportunity, the Henry Street Settlement staff and the clients look to you for leadership in the struggle against inflation.

We are pleased that you are having these hearings and we look forward to the results.

Mr. ROSENTHAL. Thank you very much. We are very grateful for those kind words.

STATEMENT OF JACQUELINE FRANCIS, HOME MANAGEMENT PROGRAM, WILLOUGHBY HOUSE SETTLEMENT, BROOKLYN; ACCOMPANIED BY DOROTHY JAMES

Ms. FRANCIS. My name is Jacqueline Francis, and I am from the Home Management Program, Willoughby House Settlement, in Brooklyn.

I am a working mother of four children.

As part of my job, I teach consumer education, health, and nutrition to women caught up in the lower socioeconomic strata.

I am about to start teaching a course on survival because I am finding that my participants are really becoming depressed, anxious, and they just can't cope with the rise in prices and deal with it. We are thoroughly disgusted and downright furious as to what the President's guidelines are not doing. We feel they have not accomplished anything; it is only on paper.

Each week at the supermarket we are faced with higher food prices.

Commissioner Ratner has suggested that we have beefless Wednesdays. Many of us can afford beef only 1 day a week, and by "beef" I mean like chuck. We don't have roasts or steaks any more. Hamburgers and frankfurters used to be an affordable item to all, but now most of us treat those items as monthly treats.

Those who are on fixed income and low wages feel the impact of inflation the most, as usual. We are striving just to stay alive on the barest of meals. The impact of all this is devastating. It is becoming increasingly evident in all facets of our lives, through our wages, rents, utilities, and other needs.

At the present time, there are many programs available that feed the elderly and children breakfast and lunch, but this does not make much difference because mealtimes exist 7 days a week, not 5 days a week. We want more action from the President and from the Congress.

We want more than just talk. We need help because we feel we are going under. We see inflation as our No. 1 enemy.

We are concerned about crime, we are concerned about housing, and things like that, but we can't live if we don't eat.

Thank you.

Mr. ROSENTHAL. Thank you very, very much.

Did someone else want to talk?

STATEMENT OF GLADYS DAVIS, FORT GREENE AREA

Ms. DAVIS. Yes.

Mr. ROSENTHAL. Please do. Go ahead.

Ms. DAVIS. My name is Mrs. Gladys Davis, and I am from the Fort Greene area.

I have this lady that is helping me, struggling with us, and I have six sons and they all eat like horses, not children.

So, she is always trying to show me how to fix enough food and how to stretch the food so the children get enough to eat, because they are teenagers and they eat three or four times a day.

I was having so much finance problems about how to shop, and I can never get a new dress or a skirt.

So, in home management they teach us how to sew so that I have been able to get a few dresses by making them myself.

And they teach us how to bake food there, how to make food there, nutritional, without meat, because there are so many things that I learned how to fix, and we are not eating what we want but we are not starving.

So, I still would like for the Government to look into the situation in the poor areas because we just can't hardly manage at all.

We get enough of what we have, but not what we want.

Mr. WILLIAMS. That is a very good statement. May I ask a question of all of you?

At the end of the month, when the checks run out, are there ever any days when you just do not eat, that your family does not eat?

Ms. OHLSON. Yes.

Mr. WILLIAMS. These home management programs perhaps serve a superpurpose in providing you the ability and the knowledge to balance out planning with your meals. But are there those who possibly do have a couple of days a month where they just don't eat?

Mr. FRANK. I would like to bring to your attention something that is well known in New York City; it is called "the end of the month syndrome," and it means just that. People for the last few days, sometimes the last full week of the month, just go without food.

With the new food stamp program that has cut benefits, that "end of the month syndrome" we see at the hotline is starting around now.

Mr. WILLIAMS. You have proof of that through your hotline operation?

Mr. FRANK. Well, we get an increasing number of emergency food requests in the last 2 weeks of the month. There is very little to say to people when they have no food and we have done everything we can to try and find food for them.

We are beginning to try to organize more emergency food services, but we do know that that is a band aid on top of an open gash, and it may help some people but not a lot.

We also see that the spending in the food stamp program that was initiated because of a Budget Office estimate, because of food price inflation that is half of the actual price, is going to cut benefits again.

Mr. WILLIAMS. You have seen a marked increase in the number of calls where people do not have food the last few days of the month, the "end of the month syndrome"?

Mr. FRANK. Yes, we see that increase, and we see it coming from different kinds of people, people who were managing, people who have enough social security that was getting by, that was getting them by until the end of the month.

It is not just the bottom of the ladder that is in that situation any more.

It is people who you just don't think would have to come to that situation.

Mr. WILLIAMS. Thank you.

Mr. ROSENTHAL. Did you want to say something?

Ms. JAMES. Yes; I am Dorothy James.

I am with Mrs. Francis.

I will try to go and compare the newspapers on Sunday to see if there is a sale.

I go to Key Food and Key Food don't have it.

I might go down to another store and they don't have it.

I go to the A. & P. and they will come in on Tuesday or Wednesday, and it seems like the prices go up and up, and I also work with a lady who is blind and she pays like $225 a month rent, and she don't have money at the end of the month because the food stamps are cut short.

The projects are already going up, even with people on welfare, the rents are going up, and I have been there since 1950.

Mr. ROSENTHAL. Thank you.

STATEMENT OF SHIRLEY KRONBERG, EXECUTIVE DIRECTOR, NEIGHBORHOOD SERVICE CENTERS, COUNCIL OF THE NEW YORK HOTEL AND MOTEL TRADE COUNCIL, AFL–CIO

Ms. KRONBERG. I am Shirley Kronberg.

I am the executive director of the Neighborhood Service Centers, Council of the New York Hotel and Motel Trade Council, AFL–CIO.

Our department of the union deals with all problems that are not related to the job.

So that any person with a consumer problem, a legal problem, a personal problem of any kind, hospital bill, whatever, comes to me.

I am the chairman of the Consumer Subcommittee of the Community Services of the New York Central Labor Council, and Jerry Waters asked me to represent the New York Central Labor Council here today.

I want to say at the outset that we were always proud that the million union workers in New York City made a decent living.

I am not going to tell you that our members are eating dog food.

We want for our members and our members have always wanted for themselves the exact same things that you gentlemen want for you and your families.

We want to be able to buy a home.

We want to be able to send our children for ballet lessons and music lessons.

We want to be able to take a vacation and take a trip, and we want to be able to send the children to college.

We want to do all the things which is the great American dream, the American standard of living.

We find, in spite of the fact that half of our members have their wives working, that these wives are not working in order to be liberated.

These wives are working in order to maintain the standard of living that used to be maintained with one income.

This is what we are incensed about.

We are here today not only because the inflation and the food costs particularly have made it impossible for us to maintain what we maintained 2, 3, 4, 5 years ago—not only for that reason—but because with the increase in prices we are not able to see any hope, and with the Government not doing anything about it, no hope whatsoever that it is going to end at some point.

You know, we have an intelligence.

We read the newspapers, we know what the profits of the corporations are.

We know what the guidelines for wage increases are. They are 7 percent.

We don't see any guidelines for the holding down of profit, for the control of prices.

We just see them flying away.

We go into the store every single week, the cost is up. Every single week.

In the period—there is only one that stands out in my mind.

I shop every week, once a week.

I come into the store, and there isn't one week that everything hasn't gone up a penny, two cents. Not one week.

Anybody who shops will tell you that.

Now, I buy boxed prunes, a 2-pound box.

It used to be—well, I can remember when it was 99 cents about 2 years ago, but last year it was a $1.09, and I paid a $1.99 last Saturday.

That is not an 11 percent increase.

I don't know what Mr. Bienstock is going to say that the statistics are about the rise in prices.

But that is a 100 percent increase, and that is the story with all kinds of prices, anything you go to shop for, that is the kind of increase.

From $1.09 to $1.99.

It may be 1 percent a week, 1 percent a month, but who is it that is putting all this together and saying that it takes twice as much to live on today as it took a year ago?

That is what we want somebody to look into, somebody to do something about.

Mr. ROSENTHAL. Is the AFL–CIO doing price monitoring——

Ms. KRONBERG. I am just waiting for Mr. Conyers so that I can continue.

Mr. CONYERS. I was observing to my colleague from Georgia that Ralph Nader had to give up raisins for the same complaints that you are making about prunes.

They went up too high.

Ms. KRONBERG. Yes; it's not only raisins.

In order to feed yourself today, in order to feed a family—my children are grown and married, my husband and I work; I am not saying that we are hungry.

We are angry.

We are angry because we see the money that we were putting away for savings, for retirement—we are not able to do that.

We are afraid to retire.

Working people today are afraid to retire because the little bit that you put away, you figure, well, this is going to give me $3,000 a year in addition to the social security or in addition to the pension, and not give up my home and not to have to do this and that, and not have to come to the point of eating dog food.

We are afraid to retire, and millions of people in this country today, I would wager to say, are afraid to retire because they know with the increase in prices that they are not able to make it.

Mr. LEVITAS. I think the testimony has been very helpful about the impact of inflation, and it is the major domestic problem today.

What I find disturbing, though, and I agree with you completely about the profits that have been announced, and given the situation, it seems to me to be outrageous and unjustified, but, by the same token, I see the rubber workers in their present negotiations with the rubber companies saying: "We don't want to be bound by any guidelines."

Mr. Doug Frazier of the UAW says: "We don't want any restraints put on our bargaining as far as our wage demands are concerned," and obviously higher wages get folded into higher prices, and there is this chicken and egg syndrome.

Where do we begin?

Ms. KRONBERG. George Meany dealt with this.

What we are trying to do is catch up to where we were several years ago.

Now, assume you are a union officer and you are dealing with a shop or with an industry and the workers tell you:

You know, the first thing you have to do is catch me up to where I was. Never mind going ahead. If the cost of living has gone up by 20, 30, 40 percent, I need that in order to maintain those commitments I have already made to my family. I have a home, I have a mortgage, I bought a washing machine, et cetera. My kids are in college. I have got to be able to maintain that in the same way I undertook to do it 2 or 3 years ago when my wages were so much less.

So, the first thing you have to do is meet that differential, and then they would like to have a little bit more because that's the great American way.

This is what we are all for, isn't it?

That we advance, that we go forward.

My mother used to scrub clothes in the bathroom on a—what was it?

A VOICE. A washboard.

Ms. KRONBERG. A washboard. Right?

Today we put the clothes into the washing machine.

We make progress. We go ahead.

We don't want to go back to living the way the generation before us did, and we want for our children even more. Right?

That is why me and the unions don't want to be bound by guidelines, particularly since you have done nothing to bind profit.

You have done nothing to bind prices.

If you would say to the labor movement: "We will roll back the prices to where they were 3 years ago," and if you enforce it, all right, we might be willing to go with a guideline, but you would have to mandate that.

You would have to make that stick.

Now, the last time around, when you and I, Congressman Rosenthal, were standing on 86th Street in front of the A. & P., in the last great price match, if you remember——

Mr. ROSENTHAL. That wasn't me. That was Bess Myerson.

Ms. KRONBERG. No, that was you. [Laughter.]

The IRS was placed in charge; in charge of price watch.

Do you remember that, gentlemen?

The Internal Revenue Service was in charge of the price watch. Right?

Well, it had a very interesting effect.

People were afraid to complain because if you sent in your name you were afraid that they were going to pull your record and make sure you paid your taxes.

But my suggestion would be for the IRS tomorrow, you know, that they be put in charge and they send every supermarket a list and say: "We want to know what your prices were 1 year ago, 9 months ago, 6 months ago, 3 months ago, and today."

You know, all this business about price watch, somebody in my office kidded me, I said that I was going to a price watch meeting, and they said: "What do they do, watch the prices go up?"

I mean, what price watch?

We are all watching the prices. Who is doing something about the prices?

Now, Meany, I think, in an effort showing that, you know, we know what's going on, made a big speech in which he said the labor movement was going to watch all this, and so on.

When I told my secretary that I was coming here today and tell you about what we are going to do, she asked me:

Are we going to put all this in a capsule and send it up to space, because maybe they will meet a space person who doesn't know what's happening on earth and show him those figures?

Because whom are we going to show them to here?

Doesn't the Congress know? Doesn't the President know?

Doesn't every agency of Government know that the prices have gone up?

Don't the stores know?

Who shops for them? Where are they living?

Everybody knows that prices have gone up.

Well, Meany said we were going to prove it, and so they urged every State and city body of the labor movement to do something about getting up corps of volunteers.

I have here, and I am going to leave it with you, a letter sent by Ray Corbett, the president of the New York State Federation of Labor——

Mr. ROSENTHAL. Anyhow, what did you do?

Ms. KRONBERG. Do you see this [indicating]?

Mr. ROSENTHAL. Yes.

Ms. KRONBERG. These are the monitoring sheets [indicating]. This just arrived, May 1.

We are in the process of putting together volunteers.

Mr. ROSENTHAL. You haven't started this yet?

Ms. KRONBERG. No. In some cities, it has.

New York hasn't done it yet.

Let me tell you, frankly, the reason for the nonactivity along these lines is the skepticism.

People just don't believe it should be necessary to prove to anybody, you know, that the prices have gone up.

And what are we going to do with it when we have got it?

We are going to make a big petition and send it to you?

Mr. CONYERS. Maybe it could document the need for control on prices.

Ms. KRONBERG. Is there anybody that doubts that prices need to be controlled?

Mr. CONYERS. Yes.

Ms. KRONBERG. The poor are being pauperized.

Mr. CONYERS. I remember when the President of the AFL–CIO was against wage and price controls.

Ms. KRONBERG. I remember that, too, but in these circumstances, with the Government not doing anything, at least the last time they went through some kind of—even if it was just the IRS, there was some kind of mandate.

There is nothing now.

I mean, it's totally and completely voluntary, and food is eliminated.

Mr. CONYERS. You have the neighborhood body as well as the political body, and I don't know how you are going to react to the question, but, after all, we think that this committee is doing important work in documenting beyond any reasonable doubt to the most skeptical person, the most skeptical Federal legislator, that the suffering, that the problems of living are now becoming so aggravated and that the plans that are currently operative are so unsuccessful, that we are going to have to go to another step.

Don't you think, first of all, that that is a justifiable and worthwhile undertaking?

Ms. KRONBERG. I believe, along with you, along with Mr. Galbraith, George Meany, and every other reasonable person, that we need to mandate price control.

I tell you, frankly, that I don't believe that it still has to be documented.

Mr. CONYERS. Well, there is somebody in the Government apparently that doesn't agree with you and me and Professor Galbraith.

Ms. KRONBERG. I don't believe their disagreement is based on their lack of knowledge or lack of documentation.

You know, I am a believer in the theory of the conspiracy of history.

I believe they don't believe it because they are on the payroll of a profitmaking corporation, and they operate on their behalf and they don't want to control prices because they don't care.

I think it is lack of motive, not lack of knowledge.

Mr. CONYERS. That is a very good statement for this record because, if that is the case, then what do you propose, based upon your own beliefs?

Ms. KRONBERG. First of all, I would like to say that I think—you know, the American people have a history of moving for what they want, and I think that they will move and I think that will do things.

I am concerned that I think they are going to do the wrong things.

I think they are requesting to move in the direction, for example, in New York State, of this constitutional convention to limit taxes, and

I think that that is a death knell for anybody below $20,000 a year in this country, because it's going to cut out all of the programs on which a large section of the population is subsisting.

I think that that is the direction the protest is taking, and I think it is very unfortunate, and I strongly urge that you people come up with a better way of spending this kind of—or at least containing and moving this in the direction of something worth while.

Mr. CONYERS. Well, you know, you have raised perhaps the most important political consideration that I have heard in the course of these hearings.

There is something, however, still not resolved, because if your view that this is or there is a lack of political ideology and not a matter of economic understanding, and then you tell me that you are afraid that the people of this State are moving in a precisely contrary direction to your perception, then we have a very serious political problem as well as a very serious economic problem.

Ms. KRONBERG. Yes; I believe that.

I believe we have a very serious political problem as well as an economic problem, and I think that one flows from the other.

I think it is our failure to deal adequately with the inflationary spiraling and rising costs of living, and that is motivating people who are ordinarily well meaning and wholesome in every way, to not care about what happens to the elderly or to the poor or anybody else, so long as they can maintain their home; they are now fighting for their home.

You know, I am not only talking about people in the city or in the inner city, I am talking about people that live where I live, in Peekskill, who are fighting an ever-losing battle against the rise in prices.

Mr. WILLIAMS. I would like to just ask one question.

There are so-called experts who are saying pretty much what you are saying, but the result of that could be recession, which could mean unemployment.

Ms. KRONBERG. I don't believe that it will mean unemployment.

I think what we have found—I am 63 years old, and from my observations in this country, the times that we have had, that we have been able to make a living, there have always been times of expanding industrialization.

The times, you know, when people have had jobs is when things went well, and I think that the Congress really has to find the answers to expanding industrialization.

I just want to say one word in relation to energy on this.

You know, we workers in this country were able to send our children off to college and they all got educated and they found out all about the environment, and they are going to kill us with the shutting down of this and the shutting down of that, and——

Mr. ROSENTHAL. Bruce, you are not going to leave, are you?

Mr. RATNER. I have to go to another hearing.

Can I come back in about 45 minutes?

Mr. ROSENTHAL. It's up to you.

Off the record.

[Discussion off the record.]

Mr. WILLIAMS. Ma'am, just let me expand on what I said.

I represent a district that just lost 5,000 jobs.

Inflation is important to those individuals, but inflation, if they are not working, has no affect at all——

Ms. KRONBERG. It's worse.

Mr. WILLIAMS [continuing]. On them.

Ms. KRONBERG. It's worse.

Mr. WILLIAMS. Really, it has hardly any affect, because they do not have a job or a dollar to buy whatever little a dollar would buy, and I have tremendous concern, if there is an overreaction to inflation, about recession, and I really would like to know if that is what you are saying.

I support mandatory price controls.

I think they have been demonstrated to work.

I think, as Professor Galbraith stated, the failure of that program was when it was abruptly ended. But I do have concern about an overreaction to inflation, which could result directly in a recession.

Ms. KRONBERG. I don't see any relationship.

Mr. WILLIAMS. The so-called experts say this, in fact, will happen.

Ms. KRONBERG. You know, those experts have batted 1,000 wrong so far.

I mean, they haven't been right about anything.

Why should we believe them about this?

Mr. WILLIAMS. In essence, maybe they have been right about recession, unfortunately.

Ms. KRONBERG. They forecast them after they are here.

You know, it may even be their policies of bringing them about.

I think everybody knows, you know, that expansion means jobs. expansion means lower prices.

Obviously, our intent has to be to expand industrially.

You cannot, on the one hand, have all the wonderful children shutting down nuclear plants and everything else, and going back to growing our own food and whatever else we can think of, you know, and narrowing our outlook, and at the same time having an expanded economy.

At some point, it seems to me, the Congress is going to have to be very assertive and say, "Yes; we want clean energy and safe nuclear power," or whatever power, and go ahead and do it, and not leave it to the will of the oil companies and hope that if we give them more money that they will produce more.

Mr. CONYERS. Is that the President's job or is that the Congress' job?

Ms. KRONBERG. It seems to me that the Congress can enact laws without the President.

He cannot do it without you.

Mr. CONYERS. Have you ever tried to get 354 of your colleagues to agree on anything?

Ms. KRONBERG. It's hard if Meany doesn't want it. But if he does——

Mr. CONYERS. That's the point.

Mr. LEVITAS. Of course, your presentation is very eloquent.

I disagree with most of your conclusions, but leaving aside the special needs of the elderly and of the poor and of the handicapped, which I think most people recognize, I don't think we need hearings to find that prices are going up and we have inflation, that is pretty obvious.

Everybody knows that, who can read the newspaper, watch television, or go into the supermarket.

I find a great deal of difficulty in dealing with—I hear everybody saying that we have to sacrifice, we have to do something about the problem, and what I am also hearing is that that means that the other person ought to sacrifice, not me.

It is a problem that has to be dealt with, and sacrifice if the other person is doing the sacrificing.

As far as mandatory wage and price controls, that type of quick fix, I think, is no solution.

Everybody that has come before us today has condemned the ability to function properly, whether it is the Congress or the—well, it's not working.

The solutions that we come up with is to have the Government do it again, and I don't understand that type of logic.

I don't think the Government is capable of setting prices or wages in every segment and every aspect of this economy.

It can't even manage what it's supposed to be doing today.

I think what you are going to end up with is a bigger, bloated democracy.

We had controls on oil and gasoline.

Did that keep the prices down?

They kept on going up.

I don't think the solution is, as Professor Galbraith says, subject to a quick fix.

I think many people are coming up with easy answers which takes care of our situation, what's good for me, and forget about the national interest of this country.

Ms. KRONBERG. You started out by speaking about everybody wants someone else to sacrifice.

I don't think it would be so terrible if Exxon would sacrifice a little bit of their profits.

Mr. LEVITAS. I agree with you.

Ms. KRONBERG. I don't want the elderly or the poor people to sacrifice, and the working people, barely making it to work every morning, and people who want to retire and can't; I don't want them to sacrifice.

That's what brought us to where we are today.

It is this effort on the part of the American labor movement which has given us the highest standard of living in the world, but we are going to lose it to the inflation.

Mr. ROSENTHAL. Thank you all very, very much.

[The letter referred to by Ms. Kronberg follows:]

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May 1, 1979

TO: Central Body Presidents

FROM: Raymond R. Corbett, President
E. Howard Molisani, Secretary-Treasurer

RE: Operation Price Watch

The AFL-CIO's "Operation Price Watch" has been in effect for nearly three weeks. By now, most of you have already received the necessary information and materials from the Department of Community Services to initiate a program in your area. The involvement of the central labor councils is vitally important to insure the success of this operation.

The most recent news on inflation from the Department of Labor is indeed discouraging. The cost of living is rising at an annual rate of more than 13 percent and even President Carter's chief inflation fighters refuse to predict an early end to this price spiral. AFL-CIO President Meany has pledged an all-out battle against inflation by urging volunteers to check prices of the basic necessities on a regular basis and provide the administration and media with the facts.

The labor movement is the largest organized group of consumers in the state. Our efforts in monitoring prices will increase the effectiveness of the AFL-CIO's program and point out the weaknesses of President Carter's Wage-Price Guidelines. It appears that if consumers do not take action to curb price increases, no one else will.

If you have not already done so, we recommend that you organize a Price Watch program. At the same time, the State AFL-CIO stands ready to cooperate fully in your efforts and provide any assistance you may need in executing a successful operation.

DATE STORE MONITORED
_____, 1979

AFL-CIO PRICE MONITORING REPORT: FOOD

(PRINT)
Monitor's Name:

Name of Store: City:

Address of Store: State:

(Please report same items, same brands, same size or weight and same stores)

ITEM	BRAND NAME	PRICE	COMMENTS
BREAD, white, 20 oz.			
HAMBURGER, regular, 1 lb.			
FISHSTICKS, frozen, 1 lb.			
CHICKEN, fryer parts, 1 lb.			
MILK, 1 gal.			
COFFEE, instant, 6 oz.			
EGGS, grade A, lge., 1 doz.			
BACON, 1 lb.			
TUNA, white, 6½ oz. can			
PORK & BEANS, 16 oz. can			
KETCHUP, 20 oz. bottle			
PEANUT BUTTER, creamy, 18 oz. jar			
MARGARINE, sticks, 1 lb.			
POTATOES, Idaho, 1 lb.			
APPLES, 1 lb.			
SOUP, chicken noodle, 10 oz. can			
COLA, six 12 oz. cans			
PUDDING, vanilla mix, 3 oz.			
CEREAL, raisin bran, 20 oz.			
SUGAR, white, 5 lbs.			
ICE CREAM, ½ gal.			
TOILET TISSUE, 4 rolls			
NAPKINS, 250			
SOAP, 5 oz.			
DETERGENT, 49 oz.			
LIGHT BULBS, 100 w., soft white, pkg. of 4			
TRASH BAGS, vinyl, 7 gal., pkg. of 20			

PRICE MONITOR, Please Sign: _____

ADDRESS: _____

PHONE: _____