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MR. ABEL: Thank you, Mr. President.

I want to join in what President Meany has said with respect to your position on wage price controls and income policy and programs, and I would express the hope that you don't let anyone change your mind with respect to that.

PRESIDENT FORD: Will you all support me real strongly?

(Laughter.)

MR. ABEL: Well, I think we gave a lot of support to the abolition of the controls we had imposed upon us a couple years ago.

We all served and did as best we could to meet what was the stated objective at that time, but, as too often is the case, found that other people were not serious about our objective, and we at Labor ended up being the complete sacrificers.

As a result, not only were the wage price controls abolished, but later, when we attempted to give some guidance and assistance, or be helpful in some measure, with the Council of Economic Advisers, we found again that this was a futile effort, and it too had to be abolished.

So, I would urge you on the basis of our own experiences that we not try that route again. I would, of course, echo what has been said on many of these subjects by all who have spoken before.

This is a long subject matter, one that we could spend days on, and covering all aspects of it. Many phases have been touched on, but I won't endeavor to repeat.

I would, in the way of suggesting alternatives to economic or income policies, suggest that maybe more serious thought be given to reversing what appears to be the Government policy of economic restraint to one of economic expansion.

Certainly, our society has been built on the basis of improving our economy and providing a better standard of life for people.

The only way we have accomplished that is by producing more and making more available, not only in the way of goods and services, but opportunities.

I get, then, to the point of unemployment. Certainly, this country cannot afford expanding unemployment. As Marty Ward has just said, some of our greatest skills in this country are being wasted today. This country can't afford to waste.

You were in our City of Pittsburgh this week, attending a very important transit conference. Every major community in this country needs a transit system, and the only way they are going to get it is through encouragement and the help of the Federal Government.

This in turn will then provide job opportunities

for the utilization of these skills we are wasting. Action has been made by Jack Lyons and others about the need for expansion of our power system.

Just a few miles below the point you spoke of, on the Ohio River, we have had under way in the last several years the development of huge atomic power plants, and on several occasions, there have been strikes by the construction workers, which created great consternation on the part of many people because of the urgent need for the powers that these plants are producing.

Just the other day, those plants were brought to a complete halt because of tight money policies, saying that we no longer can afford to carry on with the needed expansion of the utility problem.

On the other hand, their people are receiving utility bills increased 40 to 70 percent. So, I say to you that serious thought should be given to these kinds of things.

I talked the other day, up at the Economic Committee of Congress, about the need of Government giving serious attention now to getting on with the job of rebuilding our rail system in this country.

We spend billions upon billions of dollars in national defense, but let the very urgent need of rebuilding the railroads and transport system to back up this

defense system go to pot. Now, I know, and I think you know, and I think your economic advisers know, that private enterprise, even at the old interest rate, can't bring together the capital that is going to be needed to rebuild the rail system.

The Federal Government must, and I think now is the time to do it; rather than expanding unemployment and curbing further our economy, we should use these periods to get on with this much needed work.

I could go on and on, and I am sure others could, pointing out to you the important work that we, as Americans, need, as a country, as cities, as individuals.

I get, now, to one more point, and then I will conclude. About the time we invoked the wage price freeze and the phases three or four years ago, we did start talking about ways that the Government could be helpful in expanding our productive facilities and the production of goods and services in this country to provide this better life.

I participated, and others around this table participated, but I say to you, there was pretty much of a lackadaisical attitude in taking this matter seriously.

One great effort I am reminded of is an abortive publicity stunt. Now, this would not contribute, and it was aborted, as I say. And finally, the whole thing collapsed because Congress refused to appropriate a few million dollars

to get on with the important study and assistance in the field of productivity.

I think it was Mr. Miller who mentioned the importance of operations of industry and companies at capacity, and expanding industries.

I happen to represent the workers in the basic steel industry that has been, fortunately, operating at capacity for the last two or three years.

The steel industry in this country should be expanding. We have increased productivity in the steel industry. We have active productivity committees, joint committees, and we have expansion. And our industry, the basic steel industry, is the only industry in this country that has expanded its productivity in the last several years. Most of them have dropped back.

Certainly, when you produce at capacity, you produce at lower unit cost of production, and this is vitally important.

I think, perhaps, we are one of the only major economic industrial countries that doesn't have an ongoing effective productivity program sponsored by the Federal Government.

I would certainly urge, Mr. President, that you give serious thought to revitalizing a federal productivity committee made up of representatives of industry, labor,

government, and economy, and I think members of Congress, so that they might better appreciate the need and be a little more liberal in appropriating the needed monies for that kind of activity, rather than some of the things that, in my judgment, are most wasteful, and which I won't take the time this morning to talk about.

PRESIDENT FORD: Thank you very much, Mr. Abel. I am glad to report that the Congress, a month or two ago, did reestablish or reinstate the productivity committee or commission authorization.

At the present time, if my memory is correct, there is an appropriation being considered by the Congress for the actual funding of this productivity board or commission.

I believe it is important, it can be helpful, because it was a combination -- or, it was through the cooperation of both labor and management that it operated in the period of several years ago.

It will be funded, I am sure. I think the request or the amount is somewhere in the range of \$2 million for the actual implementation of the authorization legislation.

I can assure you we will push on that action once the Congress makes the money available, and I am told it will be very shortly.

MR. MEANY: Mr. President, may I speak very frankly?

PRESIDENT FORD: Surely.

MR. MEANY: I was a member of the Productivity Commission. I think we had three meetings. The thing was dead. It didn't act at all.

But, strange to relate, 12 or 14 months after the last meeting, we got the annual report of the Productivity Commission.

So, if we are going to have a Productivity Commission, let's have it. Let's have some meetings. Let's don't let it be a staff operation.

I have all due respect for the staff people, but this committee did not function; it just didn't function. We had three meetings, at the very most, and that was the end of it.

I think the last meeting might have been two years ago.

PRESIDENT FORD: I don't believe in sham. I think the Congress, when it permitted the Commission to die, took cognizance of just what you are saying. With its reestablishment, as far as I am concerned, we will put people on there that will, hopefully, have a different performance record.

MR. MEANY: I think the Congress merely recognized the fact that the committee had arranged for its own judgment.



PRESIDENT FORD: One other comment, Mr. Abel. We do have to revitalize. We have to upgrade our railroad system in this country, particularly in what they call the Northeast Corridor, and I am not excluding some other areas.

But the need is perfectly obvious in this part of the country. There is legislation now for the expansion of Amtrak which, I think, has passed the House and is being considered by the Senate, or vice versa.

This does include the improvement of the railbed, it does include the purchase of more operating equipment, it does include a wide variety of other recommendations.

I can assure you that we recognize, in the Executive Branch of the Government, that we have to find alternate means of transportation to meet our current needs and the prospective ones.

One other observation, if I might. This cutback in electrical utility construction -- and this, of course, includes the request for nuclear power plants. We have a pretty bad record in this country in the time from the inception of a power plant as an idea by a utility to its actual groundbreaking and subsequent completion.

I think the figures show that by the time the application is submitted until we actually end up with power on the line, it is about a nine or ten year process.

That is inexcusable. We cannot afford it, either

for reasons related to employment, or for reasons related to a need for energy.

I have talked personally with the Chairman of the AEC, who does tell me that they have taken administrative actions within the AEC to condemn this delay in the consideration of applications.

But, if my memory is accurate, there is legislation before the Congress which would permit the AEC to even accelerate to a greater degree the consideration of these applications.

I think that is absolutely necessary. The proposed procedures would have no adverse impact whatsoever on the safeguards that are needed for safety.

There would be no adverse impact on the proper consideration in these applications for the environment. We seem to have had an impact here of a lot of paperwork shuffling; nine and ten years, an unbelievably bad record.

So, between what has been done administratively and what must be done by the Congress, we hope to expedite the applications, which means production, which means jobs, which means energy.

MR. ABEL: Could I make one more observation?

PRESIDENT FORD: Surely.

MR. ABEL: With respect to both productivity and the cost factor -- and that is to urge that there be a look

taken at our export policies, and I am speaking not just of grains -- grains are important -- but I use as an example the export of scrap steel and scrap copper.

Certainly, this is an important ingredient in the making of steel. As you know, some of our companies must operate strictly by scrap, and some of them today are forced into the position of making scrap using the facilities that should be making finished goods to provide scrap so that they can maintain their furnaces.

It is being exported primarily to Japan and, as a result, has increased the price of scrap from \$40 a ton to something like \$160 a ton. A comparable situation exists in the copper industry.

And I certainly think something can be done there by the Government to protect the interests of the people of this country and our industries, rather than the export market and those who are out to make a fast buck in handling these kinds of materials.

PRESIDENT FORD: I know the scrap price was abnormally high in the figure that you indicated, but I did see just the other day that the price was substantially down, I think in the range of some \$70 or \$80, compared to the \$150 or \$160 that it was a month or two or so ago.

But we will take into consideration that recommendation.

Now, we have another -- yes?

MR. KIRKLAND: While we are talking on the subject of wage and price controls, we are, of course, very reassured to hear your views on the matter, but we find it difficult to forget that we have heard similar views expressed, and woke up one morning with the wage freeze and price freeze.

You are going to be, and are, subjected continually to advice from all quarters, including elements of the media and the academic world, but this is still the proper solution, and anything short of that is delinquency, I think, primarily, because they really have no other solution.

I would suggest that when you hear that advice from any quarter, the wage side of it is very simple; that is very easy to control, as has been pointed out.

But I think you should demand specificity on the price side. Ask, "What kind of price controls do you propose?" and what prices and what incomes are going to be covered, and what are going to be immune and exempted from this onerous system?

Are you going to cover farm prices? Are you going to control beef prices? Are you going to control landlords? Are you going to control doctors' fees, lawyers' fees, the lecture fees and consulting fees and foundation grants of itinerant economists?

(Laughter.)

MR. KIRKLAND: Get that all spelled out, and don't let them get away with the simpler prescription price controls, because the fact of the matter is, we have never had, under the system we just escaped from, wage price controls in this country.

It was a fiction and a fraud. The elements of exoneration and the elements of compounding of previous cost elements into the system for the benefit of the person at the top end of the mark-up process passed as price control, but it did not in fact exist.

So I suggest again that when you get this prescription, demand the particulars, and let us see what those particulars are before we make a judgment.

PRESIDENT FORD: I would agree with you that most Americans have had a good lesson in economics in the last four years. Some of the panaceas that were sought in the past I don't see having quite as much favor in the future.

So, I see no prospect -- and I have said it once, I have said it several times -- of succumbing to those kinds of panaceas in the problems we face today.

Yes?

MR. STETIN: Mr. President, I come from an industry -- the textile workers, textile manufacturing industry -- and I can't say I speak for every single worker, because the bulk of them, 600,000 of them, are down in the southern

part of this country. So that the bulk of the industry is unorganized, its workers are denied the simple, fundamental right to belong to unions.

They don't enjoy industrial democracy and, as a result, the impact on wages and conditions of work has been such that their wage structure is, on the average, approximately \$65 a week, when you take into consideration wages and fringe benefits. That is the average in all manufacturing.

I make mention of this because in the wage price freeze that we were supposed to have, from August 1971 until they were lifted, workers were frozen in their wage scales. Their wage scales are low.

The employers have had an unusually high degree of profits. What has been true of the textile industry has been true of practically every industry.

Now, I happen to be one of those who believed that wage and price controls were needed, and it is my feeling that they are going to be needed in the future.

But you can't have them unless you have controls on profits, interest, dividends, executive salaries, and all that entails, when the average working man, earning as little as he does, sees and feels that his government is in the hands of the rich and the powerful and the multi-national corporations.

Now, somebody here this morning made reference to

the need for economic planning. Somebody made reference to the need for productivity commissions. I spoke recently to a man, David Cole, who just completed a study on the National Commission on Industrial Peace.

There is one contribution this Government, this administration, under your leadership, Mr. President, can make. That is, to ask industry to stop conspiring against the rights of workers to enjoy industrial democracy.

Workers can make a far greater contribution if they are involved in the potent process of what goes on in the making of a product in a factory. And, unfortunately, this doesn't prevail in our society.

Labor is kept at arm's length. Labor has been kept at arm's length by Government. And I submit to you, Mr. President, that the idea of involvement, not at a summit meeting alone, but throughout the entire year, of involving working people and their organizations at every step of the way.

And it is obvious that in the last five and a half years, labor was not involved. Oh, yes, we were told we would get a seat on a wage or a price commission, but in the important decision-making processes of what is now taking place in the world with multi-national corporations, I submit to you, Mr. President, that this type of thing ought to go on all year long.

I don't mean this kind of large, mass meeting, but I think the labor movement ought to be involved. There ought to be an industrial setup of involving labor, management, and Government, because in the present context of the conflicts in the world between our way of life and the Communist and Fascist ways of life, we in the United States are going to be judged by the way we take care of our own society.

We have a major contribution to make, and as far as I am concerned, workers' wages were controlled, the employers' profits were not controlled.

Somebody here suggested we ought to have price rollbacks. I am for it. We ought to have controls on profits, and we ought to do something about dealing with the problems that I have just mentioned.



PRESIDENT FORD: Thank you very much.

MR. CHESSER: Thank you Mr. President. I would just like to reemphasize what my colleague Mr. Kirland mentioned about the rail industry and transportation. As you know, the northeast rail network, at least is in the beginning being preserved by the action of the Congress, but I am not so sure we have had the right kind of study to preserve this system. I think there are too many that really believe that the industrial northeast is dead, or that it has declined to at least a point where industry has moved south and will not be the -- as prominent in the northeast as it has been.

I think this is a fallacy. It is bad judgment and poor thinking. I would hope that this Government took a little bit better look at this situation because it appears at this time that they may destroy part of that rail system that today appears to be not needed in this network. Once it is destroyed, once it is taken up, it will not be replaced; or if it is, at three times the cost it would take to preserve it, or, let us say, mothball it, at the present time.

If this country of ours today -- which it is capable of doing -- if it were in production at its capabilities today, we would be in a catastrophic situation because it would absolutely be impossible to transport the goods that this country could produce.

I believe we will be in that kind of production,

but we are lagging on this other end and we in our industry feel that the one major cause, here, of course, is high interest rate, tight money. We have been able to keep pace to a degree, at least, with new equipment because it is purchased by trust funds, but the real problem in the industry is the track in the roadbeds which either, by bad management, poor judgment or lack of funds, has deteriorated to the point that today some carriers, and some in the northeast -- the Penn Central -- has all the business that they can take care of.

Now, with the production that we are capable of, we would have a real problem because the track, the roadbed, will not take care of it. So I would hope that some of these folks that are responsible for this high interest and tight money -- because we haven't been -- in this industry, it has not been available, at any rate, for track and roadbeds. So I hope some of these people -- maybe it would do well if they would get on a pair of overalls and get out and be the recipient of some of their policies, maybe.

I do agree, and certainly reemphasize, that it seems to me that this great country of ours ought to be a showplace to the world. And, as has been said here before, if we can furnish reasonable interest rates to foreign governments -- to communist governments, if you please, and still say to our people "You are going to pay 10 and 12 percent," that is not much encouragement. It does not give you much argument

to argue against communism, which is a deadly, deadly thing, as far as the labor movement is concerned and as far as our country is concerned.

One more word back to Amtrack, Mr. President. The greatest mistake that was ever made -- and we knew it was at the time, and we argued with the Administration at that time -- there is one line in the Amtrack legislation, that legislation that created Amtrack -- that was so wrong that it said this must be a corporation for profit. No way, Mr. President, at this particular time, and in the foreseeable future, will it be a corporation for profit. Every country in the world that moves people by rail subsidizes, at least in the beginning of such a movement.

It is not such a bad word because this is a mobile country. We have got to move -- we have to move our people. So, in that sense, it is not a subsidy. It will build the economy and the sooner we come to know this, to realize it, we will not find it necessary to go to Japan to ride a good passenger train. We can do it in this country. We can do greater things in this country, if we have the opportunity.

Thank you, Mr. President.

PRESIDENT FORD: Thank you very much.

We had hoped we could cover several subjects in this morning session. Why don't we hear a few more speakers and then adjourn for lunch.

MR. HARDY: I'd like you to hear this, because I represent the organization of low-paid workers. And in this category there are 13 million low-paid workers.

They have been victims of double-digit inflation since July of 1972. During this period grocery prices arose 31 percent, and gasoline prices 50 percent, and the consumer price index, 18 percent.

And what this means is that these people, making from \$1.90 to \$3.81 an hour are existing on diets of potato soup, rice and beans.

But even these prices have skyrocketed --more than 100 percent in the last two years.

Now, I come from Los Angeles. It's my hometown. And you can imagine what a 50 percent increase in gasoline prices has done to the economy in Los Angeles, and especially to the working poor.

Now, when we talk about these working poor, we are not talking about people on welfare. You take care of the people on welfare with foodstamps. They're fed.

I'm talking about people that have to live and exist on \$1.90 to \$3.00-\$4.00 an hour, and when they find that

the increase in their wages -- and by your figures, the Bureau of Labor statistics -- in the last year they got an 8 percent increase in wages, and prices have gone up 11 percent.

Out of that increase it took more taxes, and that cut their earnings even more. Now, we passed the minimum wage bill.

And some of you gentlemen from the Congress were very helpful in helping us pass it. But even the minimum wages have eroded since the passage of that -- \$1.90, and some of them haven't even received that.

Now, when we talk about the Federal Government, the Federal Government, the Office of the Budget proposed a 5.5 percent increase.

And when you look at 5.5 increase and the cost of living has gone up 11.2 percent, and then you put this increase back from October to January, it is not a good deal for the Federal Government to use against these workers.

Now, I would like to talk about the people we represent right near this White House where we are meeting. The janitors have been on strike in some of the office buildings around this city.

And they got \$2.05 an hour. They went out on strike because they got a lousy ten cent an hour wage increase.

Now, how can these people exist on this type of a wage, type of a salary. And these are the working poor, 13 million of them.

Now, you know, you look around and you are talking about government jobs and unemployed. You are going to help the government jobs.

But you can right now create 8 million jobs for nothing if you enforce the law that are on the books of this country.

If you stop the illegal immigrants from coming into this nation from Korea, from Thailand, from the last boatload of the Chinese came from Hong Kong.

You bring these people in. We got employers out in Los Angeles recruiting in Manila in the Phillipine Islands, and we've got an unemployment rate of Los Angeles for the minorities of around 10-11 percent.

Our own people are going without jobs, and the employers are recruiting. And to get the recruitment necessary somebody from the Federal Government has to okay it.

Now, this is wrong. Now, we think that there has got to be something done about low-paid workers, and I think one of the things that could be done is tax relief to the low-paid wage earner, either through the personal exemption or raising the minimum standard deduction, or some other

appropriate method.

Now, let's talk about the oil companies. This Administration -- and it's not your Administration, Mr. President; you inherited it.

You've got people over in this Office of Energy, instead of having blood, got oil. And they are only interested in protecting the billions of dollars of profit from the oil companies.

Now, this is your problem in this country, oil. And somebody has to stand up to the oil corporations because they're greedy.

They are taking too much. They are too powerful. And these grocery chains, the food processors, what do we find?

They are a monopoly. They set their own prices, and you can't do a thing about them. We were discussing the other day about help to people.

And I am not against the farmer or anybody else, but in 48 hours you passed the two biggest dollar bills to help the cattle farmers of this nation.

And here we have 13 million people that every day are working and tightening their belt because there is no other way for them to exist.

Now, we think there is an answer to it. We talk about farm subsidies. Let's say, all right, you are going

to cut it back a little, but let's look at the working poor, and forget the poor. Let's take the whole United States.

The price of flour in 1971 was 60 cents for five pounds of flour. Today it's \$1.03. Now, we say to you, "Take flour, milk, bread, potatoes, rice, sugar, hamburger, and chicken, the meat-eater commodities, and we buy that and we subsidize the grocers for this price.

And we hold the price down on these ten commodities for everybody. And you'll see very shortly that the price of food will go down.

And it's the only way it can go down. Now, we have an Administration that you have inherited, and I just say this here.

They have had a track record, and the track record states that you've got to do something, Mr. President. It's your ballgame now.

And, as you've said on the TV, the buck stops here. I agree with you. We all want to help you. We appreciate you calling us in here.

Maybe you don't like the way I hand it out, but if you will look at these people and you work with it, you go and look at these poor people in the nursing home. And you look at the high cost of medical care, and you look at these people that are working to take care of these people getting



a lousy \$1.90 an hour. And then you say you are paying them too much.

No, that isn't where the costs of medical care are going. And this is what we are trying to bring home. Inflation is tough on the working poor, 13 million of them.

And I happen to represent the industry that a vast majority are in. And I think -- I'll give you these papers -- that you should look at -- some way has to be figured out to feed these papers.

There's no other way. You can't go out -- right here in ten office buildings they are picketing for a lousy dime, right in Washington, \$2.05 an hour.

How the hell can you exist on that. And in the hospital industries, the nursing home field, \$1.90 an hour. And this is what we've got to talk about.

You've got to take care of these people, Mr. President. And the illegals that are in this country, let's stop them.

Let's go down to Los Angeles and say, "All right, we'll put the border patrol to work." And let's put Americans that are here paying their taxes and give them the jobs.

Eight million illegal immigrants in this -- illegal nationals or whatever you want to call them -- in this country taking American jobs, and we have unemployment in

California.

Thank you.

PRESIDENT FORD: Thank you very much, Mr. Hardy.

If we could, say, have one or two at the most, and then we'll adjourn for lunch and conclude.

MR. WURF: I'd like to address myself to the question that deals with public employment and the specific problem of the poor that you've mentioned.

Now, Mr. Chairman, I'm the President of the American Federation of State, County, and Municipal Employees, and I've been asked to prepare a three-minute document.

It will be a new record for me in terms of a statement, but I will stay within those limitations.

PRESIDENT FORD: Okay, thank you.

MR. FILBEY: Mr. President, I'm going to forego the fact -- I think we are grateful that you've called this meeting and give us a chance to say some important things.

And I am going to say things sharply, and simply, and to the point. It appears that this Administration -- explanation: your Administration -- that it determines policy at this point -- to use some of the money saved to finance a public service employment program.

That is a program that will have direct impact on the income or lives of more affluent Americans. We could provide a possibility that those in the middle income levels

and the lower income levels could have a modicum of relief from unemployment, but it is also a program that would cut already inadequate programs in education, health, welfare, manpower training, and other assorted programs which are so important and to which so many are dependent in our society.

I question whether this consists of the values that we claim for our society to finance a program that would be for the affluent -- or at least for those who one would hope would be affluent, as inflation is wiped out as their claim to affluence out of the immediate present bracket now available to the poor while meeting the wealth of the more fortunate Americans as such.

Second, budget cuts in these social programs inevitably will lead to high unemployment. A public employment program set up to deal with unemployment is no solution in that case, because the effect is to simply lay off people whose jobs depend on Federal money, and this obviously includes thousands of state and local government employees who are breaking the unemployed in the newly created public service jobs.

This is the kind of job recycling that will be of no benefit to the national employment picture. I am not an economist, but it seems obvious that a cut in four or five billion dollars in the Federal budget will have an insignificant

impact on inflation since \$5 billion accounts for roughly one-third of one percent of the total spending of this country.

So if there is to be cutting in the Federal budget without in any way diminishing our national defense capabilities, I think your statements about concern about the national abilities are to be supported.

But we do have a genuine concern that there is fat there that has to be cut out, and that the defense department not get an immunity from the kind of oversight that other programs seem to get.

Fourth, the Administration has an obligation in its attempt to provide for the predicament of economic upheaval to channel economic assistance to those areas and individuals most severely hit.

A public service jobs program can do this if it is formulated so that the jobs and the money for those jobs are allocated on this basis.

In other words, Federal funds should be concentrated on the cities and states where unemployment has already had a most devastating effect, even though it means less populous and less affected communities would receive less assistance.

Finally, it is important to say that any created public job maintain prevailing wages and working conditions.

To do less would work a hardship on the existing public work force. Financing public service jobs through Federal grant money would be self-defeating.

It would take new money, and new money can best be provided through adjusting our Federal tax laws to provide relief to low and middle-income Americans and to close loopholes that allow immediate revenues to trickle away.

I can get very specific about this. The Administration should move to replace the income tax exemption system to a system of tax credits.

The numbers that we are recommending is a credit of \$200 per head, which would benefit most families earning \$15,000 or less.

Further than that, the social security payroll tax that we ask today is probably our most regressive Federal tax.

It should be replaced with a progressive structure that removes the ceiling on taxable income, and it may be possible to exempt people in the lowest portion, the lowest paid people in our society if we lift the ceiling.

I believe the number is \$13,500.

By repealing the oil depletion allowance which would serve a better purpose, the Federal Treasury would draw some \$2 billion a year in new revenue.

Closing the asset depreciation range loophole would net another \$3.5 billion. That revenue, along with the one billion already in the pipe horn, would finance a \$6.5 billion public jobs program, the level of activity that we think the present economic situation calls for.

In summary, what I'm saying, sir, is that in terms of what you have already said, philosophically, whereby, in terms of job programs, that we disagree very fundamentally in moving towards cutting the Federal budgets with no useful effect, perhaps, in terms of hindsight psychology.

That the poorest of the poor would pay, that this business of establishing a job program, and at the same time, a throwing out of a public, in essence, removing the input that they would have on our economy and adding to it in terms of welfare and other legislation that would be necessary for these people is unpredictable.

In essence, what I want to sum up with, and I'll try to keep it down to three minutes. I don't know if I succeeded, but I sure tried.

The American workforce has taken a beating in the last few years. American workers are patriotic, strong in spirit. They want to help right the nation's economic ship.

But we have to do it on terms that are equitable

and even-handed.

In that regard, I associate myself very strongly with what Mr. Meany said this morning.

PRESIDENT FORD: Thank you very much, Mr. Wurf.

We'll have one more, Mr. Francis Filbey, and then we'll retire and enjoy some lunch.

MR. FILBEY: Mr. President, you have just saved an operation of the vice president of the AFL-CIO that parallels the operation of the House of Representatives.

I am the Junior Vice President of the AFL-CIO. My two senior colleagues entered ahead of me. I wanted to get back to what the gentleman further down at the end of the table said about the transportation, particularly about the restoration of the rail traffic in the Northeast Corridor as it applies to a section of the Federal Government which, I'm sure, gives you a great deal of problems, which, namely, is the Postal Service.

I would associate myself not only with the remarks made by my previous speakers concerning several Federal and state and county municipal employees, but also with the transportation people.

It is our belief, and we have consistently said this to the Congress and to the officials of the U.S. Postal Service, that your Postal Service in this country began to deteriorate when trains began to be taken off the

tracks in the Northeast Corridor and in other parts of this country.

If the recommendations made by the brother from the transportation union were to be complied with as a Northeast Corridor, rail corridor, were to be re-established, I am convinced, and I am sure that anyone who has any experience in the Postal Service is convinced, that, certainly, the complaints -- and there are thousands and thousands of complaints which are received which concern the Postal Service, particularly in the Northeast, the heavy business part -- would be eliminated almost overnight by the restoration of en route distribution of mail on the train.

In the old days, and many -- some -- members of Congress that are here have been around long enough -- and you were -- to know that we had the best Postal Service in the world not too many years ago.

But as the trains were taken off, alternate methods of air transportation of mail took place is when problems in the Postal Service began.

And I would hope that if the suggestion concerning the re-institution of real rail transportation, not only in the Northeast Corridor, but in various other parts of the country, that it might be well for the Postal Service to get away from the idea that we have to fly everything and put it back on the train so that it can be delivered the next day.



Thank you very much.

PRESIDENT FORD: Thank you very much, Mr. Filbey.

I think the discussions, the recommendations, the observations have been helpful and beneficial.

We would like now to retire for luncheon in the State dining room. I, unfortunately, will not be here this afternoon, but Ken Rush who is the counsellor in the cabinet for Economic Affairs, will be here.

And he will continue covering the subjects of public service employment, the subject of productivity, and other matters that are of importance on the agenda.

I am delighted to have you come and join me and the rest of you for luncheon.

Let's call it quits for the morning.

AFTERNOON SESSION

1:15 p.m.

MR. RUSH: Before we leave the subject matter we have just been discussing, the wage price policies, Mr. Grospiron would like to make some remarks concerning that.

MR. GROSPIRON: Thank you, Mr. Chairman. Much has been said about the petroleum industry's profit system, and I think that a set of examples ought to be given to bring this right into focus.

One is, I think it is highly improper that the Federal Energy Office, as a Governmental spokesman, advocates price increases in gasoline.

All right, on the other hand, I would like to make a comment with respect to the price of crude.

I think the oil industry has proven through the years, Mr. Chairman, that it is fully capable of jacking those prices up a fair profit.

They have been making tremendous profits in recent times presumably on the basis that they hated to explore for oil in this country, to go on the Project Independence program, to make this country more self-sufficient, not only in its oil supplies, but also in its manufacturing facilities, namely the building of refineries.

I think a recent case in point which disproves some of what the petroleum industry has been saying, and certainly I have been waiting to find out exactly what they

were going to do with this money as the President, for workers organized within that particular industry.

And I find that here is a major oil company, one of the multinational oil companies, who has made an announcement that they are going to take some of these profits and buy Montgomery Wards.

I think that they have made a face then in doing that, with respect to the support of the Government, behind their support of price increases. And I think that it is time that the Government equally spoke to that problem and chastised them for taking advantage of the American public.

Some who are willing to pay as much as \$2.00 a gallon for gasoline, not willingly, but because they have to. Now, that then indicates that there has been a little reason to examine their profit system.

I am fully convinced that, Mr. Chairman, although it may not sound very good and may sound self-serving from the standpoint of coming from a labor leader, but I am fully convinced that the American workers, organized and unorganized, have made their share of sacrifice.

The people that I represent, and the people that I talk to in organized labor and workers in general, feel that there is a great credibility gap on looking at their needs.

They feel that they have demonstrated -- they have demonstrated by their sacrifices, by their absorption of

these price increases, paying more and more for foods and other durable goods, that they have been truly patriotic citizens of this country.

I think that Government has found adequate ways and means to regulate labor, either through the Labor Management Act or other legislative devices, when it felt that labor needed to be looked at and labor needed a few curbs.

I have never felt that labor needed any curbs on it realistically, certainly not in my union. It is too damned hard to run. It is a tough job.

And we do not have this sort of problem. But industry, who is based in this country, operating throughout the world -- and I speak mainly of the petroleum industry, as one example. It can apply to steel and it can apply to drugs and others.

The multinational conglomerate set-up has amassed tremendous profits and tremendous powers. And I think that this whole thing needs to be looked at, first from a standpoint of the antitrust laws, which are not working adequately, and have in many ways become a farce, certainly in the area that I am familiar with, and also in the area of the whole profit system, which I think our President of the labor movement has spoken to many times, in a very eloquent fashion, and I think with a hell of a lot of good sense, in speaking for all of us labor skates.

I think that if we are going to, at a time when goods are short, ignore responsibilities to regulate prices until we get this thing in line, at least on the short haul, I think that we will be falling down on our responsibilities.

I have listened to the Defense funding as to the need to keep that up. And, if you are going to keep that up, and ignore cutting any real substantial cuts in that, then you have to look at the profit system.

Certainly, in some ways, it is contrary to our free enterprise system. I think our free enterprise system in this country is in grave jeopardy, and I think that we have a responsibility over all to say this.

Pull business out in a situation -- out of this situation where it can do a job in supplying products--and it can provide meaningful jobs to the people in this country.

We have people who are high paid, who are having to moonlight at night, hold two jobs, and there just aren't that many jobs available.

The whole stock market system is in a hell of a shape.

Profits increase; stock prices go down. Everything is topsy turvy.

I think that you are going to have to look at some radical measures. The normal measures are just not going to work.

So, therefore, I support the president of our labor movement in saying that you have got to have some new ideas and new concepts, and ideas that have not been tried before. Otherwise, we are going to go down the same road, and we will end up with impossible controls again, asking the workers to take it in the neck again.

The people I represent have informed me in no uncertain terms that they have to have as much as \$2.50 an hour per year, which sounds fantastic.

I think when we get into that area, you can see where we are going to have another spiral.

I will close it off with that. I know that I have taken quite a bit of time. But I think the industry that I represent, that is worked with, is as good a barometer as some of the ills of the profit system in this country.

And I am not saying that some of them don't need it. I am saying that overall we have got to look at the total thing within any industry and other major industries, and that is where the real power comes from, and put some regulations in that will bring about some confidence from the American people.

I thank you for allowing me that much time.

MR. RUSH: Thank you very much, Mr. Grospiron.

MR. STALL: May I just add a comment to the previous speaker? I will be very brief.

Relative to the oil industry, I deeply regreted hearing the other day one of the people sitting in the conference of this nature would be an economist, discussing the aspects of Maritime shipping for oil, without giving the total picture.

He would, in fact, by his statement deny the right of the rest of the American society to participate in the benefits of a basic industry, one of a very large nature.

I would commend to the attention of the Senators and the House of Representatives members present that in discussing matters of this sort relative to the oil industry, that they give some consideration to a few other items.

First, is a virtual monopoly enjoyed by the oil industry by the vertical integration system used, from the oil head to the point of consumption.

Next, I would commend to those who are responsible for our taxes and our budgets to take a good look at the foreign tax credit of the oil companies.

They are greatly concerned over the cost of a Maritime transport with American workers, both shore and on ship; but let the same people who are concerned take a good look at the amount of money involved in the foreign tax credit.

Next, let us take a good look at another point within the oil area. It is the foreign depletion tax, as a

distinction from the domestic depletion tax. It runs into considerable money, and increases the additional oil facilities in production areas for Saudi Arabia, and nice friendly places like that, without making one single cent of contribution to the development of American industry for Project Independence

These are some of the things. Also, when you look at the oil industry, and I don't say this in a nasty sense or an unfriendly sense, but I think that it is a part of American society, and I would direct this to the director of budgets, the tax people, and everybody else. If we are to be examined and found lacking or to be denied, then we should have an equal voice in this situation and we should all make an equal sacrifice.

I submit to you, for example again, that the money that was allowed for foreign taxes -- for foreign depletion taxes or check off -- I think that that is outrageous. It does nothing to do us any good except to put us further in the grasp of the King of Saudi Arabia, or the Shah of Persia.

So those are the people in the legislative sense and in the administrative sense. When you get to considering these points, why should we regard one part of the American scene as the holy cow?

After all, energy today, I submit to you, is the



real long-range problem of this country. The short-range problem, of course, is the economy.

But even in the heart of the economy question, lies the question of energy. I can recall two years ago, when some of the same people who thought like Mr. Hume said the other day.

We are talking about the tremendous cost of oil, and, therefore, no American should be allowed to have a gainful employment.

At that time, Mr. Chairman, oil cost three dollars a barrel. Today it costs \$12 a barrel and the American still doesn't have one job. I will point out another matter of economics to those of you who are responsible for the economy of this nation. We are now spending 98¢, or almost that, for transportation of oil into this country. Ninety eight cents out of every dollar goes to exportation, in this case Liberia and Panama. Ninety eight cents out of a dollar. The cost of the transport of oil is tremendous. And the American worker, and most important, the American economy is getting nothing out of that. So, I just want to get this in the record, Mr. Chairman. I don't want to make a street harangue about it -- so that those of you, the economists and others, if you are going to discuss one aspect of these things, I think, in all fairness -- to be fair -- we should consider all aspects.

MR. RUSH: Thank you very much, Mr. Stall.

Well, I think we had better move on now to the -- an issue that we have talked about somewhat before and that is the public service employment. I am sorry that I had to miss the early part of this morning's meeting, but I was up before the Senate on my confirmation hearing -- the Senate

Foreign Relations Committee. But I understand the President did give his thinking on public service employment somewhat as a means for helping unemployment.

I wonder if Mr. Floyd Smith would be in on our discussion of this and other alternatives for the unemployed.

MR. SMITH: Well, yes, Mr. Chairman. I believe that during the morning session it was proved to us how essential and important jobs have to the economy of this nation.

Practically every speaker this morning, and up to the present time, whatever the subject was he was talking about, it all wound back around the job -- unemployment.

One of the things that so many of us overlook is that when we talk about unemployment, we are not only talking about the economic problem, but there is a broader impact upon the American family by unemployment. One, for instance, is the social-economic cost includes not only lost wages, but family breakups. We're talking about increased alcoholism and we are talking about suicides within these broken families and families that are unemployed.

Now, we have had a pretty good study in my organization, and no one union has the monopoly on unemployment, or unemployed members. We have all, over a period of time, been faced with this unemployment.

Now these areas that we must think about in trying to take care of the unemployed group of people, and we have

only to a certain extent -- one, is extension of unemployment compensation when people become unemployed in areas where they have used their unemployment compensation to extend to Federal Government -- extended number of weeks of payment.

Or, let us take the point that the President this morning pointed out. Compensation, or rather the Government becoming employer on works programs -- now, people do not want social security or unemployment, they do not want relief, they want work. And to me it makes more sense to create work projects for unemployed people where the Government is going to pay the bill, either for while they are working or they are going to pay it on extended unemployment compensation. They pay either way. But the individual, the people and the Government will receive more back by paying for Government work projects that are established.

While we are talking about work -- Government projects, it wasn't too many years ago that we were in -- I was involved in quite a discussion over the building of the SST -- the supersonic airplane. Everybody did not agree with me that we needed it. At that time my main purpose was fighting for jobs, jobs for people. The component parts and everybody involved in continuing the supersonic plane was in the neighborhood of around 175 thousand jobs. Now, this was all people. This was not people of only organized labor, this was all workers. And 48 states of this nation were involved,

that had jobs, that would contribute to the continuation of the SST. I was told -- they said, "That's \$290 million, Smith, and we got another area for it. Why don't we take the \$290 million and explore the possibilities of clearing the air and the water of the pollution." I am all for it, but what we are wanting is jobs.

But, you know what? They were talking about something -- some kind of an agency that would explore. I am still waiting for that agency. And nobody told me yet what they did with \$290 million that they say they were going to use for exploring or for getting some government agency or some company to go into the area of cleaning our water and our countryside and the air. Now they say, how much of this can we do? Well, all I know is, I have been in certain parts of the world -- I was in Tokyo when you couldn't stand on the fifth floor of a hotel room and see across the street, about 180 yards away; I have been in certain parts of cities of this nation of ours where it has been practically the same thing. And we are talking about future generations.

So we are talking about jobs. We are talking about creating something that will supply work for people. Export of our work -- multi-nationals -- you can say, "Why worry about it?" Well, I worry about it because they are exporting, they are eroding our work. They are taking not only our expertise, our expert people, know-how -- they are now moving

complete plants and ignoring -- closing up the plants within the cities of this nation, and leaving thousands to fifteen hundred, and higher, with no jobs available. And then they say, "What we'll do then is retrain." You don't retrain unless you talk about relocating. And when you relocate you are talking about relocating people that are 50 years old, or older. And when you talk about that, then who is going to subsidize or buy the homes that they have paid for, so that they don't have to start all over?

And this comes back down again to jobs, work -- and I would like President Meany and everybody else who has spoken here, I have never been able to figure out how you can say that you can solve the economy of this nation by unemployed people. To me it seems that if everybody works, they will pay some kind of taxes, and the more people that are working, the more taxes come in.

And I believe that this nation of ours is in a position where we can continue to create jobs and have jobs for our workers, as my colleague, Brother Hardy stated. When we are talking about \$1.91 an hour, it is pitiful, isn't it? Let's do just a little, short, arithmetic. There are 2080 work hours a year -- average 40 hours a week. And let's take for granted that a man will lose 80 hours a year, so he is going to work 2000. And we say -- statistics show that a family of four has to have somewhere around -- better than

\$4,000 a year for a family of four just to subsist and be able to stay even, on the poverty program. And we are talking about \$4,000 a year -- at 2,000 hours a year, I have got to have \$6.00 an hour to make that \$12,000. Show me how many people who make \$6.00 an hour.

Unemployment has a lot of impact on our society, upon our economy; it is the most damaging thing to this nation. And it is also very damaging when we find a company that without any notice more than a 30-day, and sometimes less than 30 days, notifying their employees, "We are closing this plant as of October 1" and removing all machinery, all know-how, all experts, from here to some company that is in competition of around 25¢ and 30¢ an hour, compared to even our \$1.91 an hour, if it is that low.

Mr. Chairman, there is a lot that can be said on employment. I have not even really started, because you could spend all day -- and two days, in fact, talking of the evils of unemployment and what we can do. And there is not enough worry, I don't believe, by the majority of people on the harm and the evil of unemployment to the citizens and the people of the United States of America.

MR. RUSH: Thank you very much, Mr. Smith.

I wonder if Mr. C.L. Dennis would like to address this subject?

He had to leave?

Would anyone else like to talk about public service employment?

MR. HARDY: I would just like to make a few remarks. Public service employment -- you are talking about 175 thousand jobs, and you have got over 5.5 million people out of work.

So, I just say that it is not enough. The wages are too low, and I think the Government should realize that the public employment jobs are really being created in the cities and counties where they have a freeze in hiring, and you are creating no jobs. The city of San Francisco and Los Angeles froze all hiring because they want to stop the -- give the taxpayer a break, as they say it down there. And you are not going to create any jobs there, you are going to replace good jobs of civil service people with low paid workers at \$7,000 a year, which is poverty wages for these types of people. These types of people that are out of work don't need the jobs that was talked about -- the machinists -- you need \$4, \$5, \$6 an hour to do something for them.

MR. RUSH: Thanks very much, Mr. Hardy.

Anyone else like to talk on this subject?

If not, we will go on to the question of productivity which Mr. Abel addressed very thoroughly this morning, and where he has been a pioneer in really helping to increase productivity in the steel industry.



However, productivity growth as a whole has lagged below the earlier post World War II period of the last eight years, and this is a serious problem.

I was interested -- we all were extremely interested in President Meany's comments also. If we have a Commission, then the Commission ought to meet and be heard.

Mr. Miller, would you like to address this subject?

MR. MILLER: Yes, thank you, Mr. Chairman.

I would like to confine my remarks on productivity to that of coal mining which I am more familiar with. I don't speak for the rest of the labor movement in that respect.

I would like to lay the groundwork for my response to this particular problem by going back to the early 1950's when coal mining in this country went through a period of automation and created, or put on the migratory road around, throughout the country 450 thousand coal miners, with no concern, no regard for their livelihood, which caused a lot of undue suffering, because no one wanted to address themselves to the real problem.

Then, in the middle 50's, the coal mining industry itself, the operators, took some steps and systematically, through the latter part of 1950, eliminated the only viable training program they had. And there was a period in 1955 to about 1970 that they did very little hiring. And as a result, they called on the reserve of coal miners who could not get

a job anywhere else throughout the country.

The process of eliminating any kind of a training program -- by 1970. They were able to recruit, in my opinion because of the high rate of unemployment during that period, quite a few young fellows, to the point today where, I think, that we have about half of our working membership under 30. And this points up another problem. The coal industry itself is always complaining about productivity. And the two areas where they ought to have been mindful and ought to have done something about it was in the area of no training -- which the work force today is much less experienced than it was earlier, the early 1950's. And they have real serious management problems. And certainly they ought to be aware of it. But they have done nothing about it, except try to plague the public with a lot of rhetoric and be very critical of our membership. I am now in bargaining with the operators, and they are saying to me that we have got to be careful about inflation -- that it is our obligation and duty as a country to worry about it. And my response to that was -- it looks to me like if you were worried about inflation, you would quit rolling the damn prices up like you do. The prices -- their profits in the last year have risen from the lowest rate of any company that I know of -- 52 percent -- they earned a 44 percent increase in profits.

Now, if that's any real concern about the inflation

that we are dealing with here today -- that we are talking about, consistent with productivity, I don't accept it.

And it is consistent and, I think, fair to say that, as has been said before, at the risk of being repetitious, the oil industry today owns 70 percent of the coal property in this country. And I don't think I have to say here what their sole interest is. They are not really concerned about this country either, except to make more money and to exploit the people.

But, to get back to the immediate problem of productivity in mining, if they would set up a viable training program, or if they hadn't eliminated the one they had during the 50's, there wouldn't be any problem today -- they would have experienced miners. Some of these people got to learn that a miner today is not someone -- or not an object with four legs and a tail, such as they referred to in the past. It is a highly sophisticated industry today and requires a lot of training, a lot of skill, to operate these monstrous machines they've got, if we are going to get an efficiency out of them.

And I am not comfortable being in a position where I have to tell them what they ought to be doing. They ought to have the good sense, if they had any business about them, to deal with these problems.

But in our demands we placed upon the operators

now, we are attempting to deal with this problem to set up a training program that is meaningful and will develop the skill that is necessary. Now, if they want to increase their productivity, they must recognize these problems. And I am fairly confident that we are going to continue to create the awareness among the interests we deal with.

But, this is the way to do it.

They are also very generous in laying the blame for some of their problems on enforcing the 1969 Mine Health and Safety Act, and that too is viewed by myself and our membership as a lot of hogwash.

First of all, the law is not being enforced, and if it was, their productivity would be increased. It has become abundantly clear to some operators now that their most productive mines are their safest mines. And my contention is that it doesn't cost them anything.

But the two major problems, to make a point here, is that they must have some kind of training program, and they must deal with their manual problem.

I don't propose to deal with that problem. That is their worry, and it is about time they dealt with it.

But until they do, one thing that they have got to understand is that the membership of the union I represent, those who mine coal, are not going to accept the rhetoric and criticism by the operators and their lack of response to the real problems they have.

If they want to sit down and resolve the problems, my door has been open. I put them on notice when they come in my office. I don't sit down and agree with them on everything.

That is what I have to say about productivity. I worked in mines in my career in mining where the production rate was 60-70 tons per man, and that is something they talk about now, but it was in reality several years ago.

You want to be mindful that you can't accept whatever they say with any great degree of reliance as being a fact.

I said some time ago, I very seldom catch them in the truth. But we are going to hope to try to solve that problem for them.

I don't accept with any reasonable rationale that they must have a profit increase over one year of 844 percent. The current market price of coal -- the spot market price -- of metallurgical coal has risen \$70.20 a ton.

They are finally beginning to say that they are making a little bit of money. I had one gentleman in the office about three or four weeks ago, and he said, "Well, we are eventually going to get down to the bargaining table, and you know that we are making money."

I said, "Well, it's good to hear you admit it."

But I have the same concern about the coal mining industry in this country as I do about the oil industry, and as has been said here before, it ought to be looked into.

When the increase in the cost of mining coal is passed on to the general public, the utility price goes up. It is up here, and it is up everywhere. The electric bill here, where I live in Washington, D. C., went up 40 percent in just a short while, and this all comes right back.

The general public picks up all the tabs. I think, in a common interest to deal with the new energy program, there ought to be some kind of a commission set up with authority. It won't be worth a nickel if it is going to be set up as a paper organization or something -- a commission that is going to operate with mirrors.

But there ought to be some commission set up to deal with the steel energy program on a long-range basis. Now, I don't accept with any reasonable rationale that oil interests are going to buy into coal property or coal companies are going to invest in any mines and not look up the

road. They know what their problems are. But they have other problems that they create, and I think that they ought to be looked into.

They ought to deal with the problems they create and try to provide the fuel and energy needed to get this country in a position of self-sufficiency with some public reliance, some concern for the general public.

They ought to do it -- and I am not advocating here that they do this without some reasonable profit. But once again, I don't think 844 percent profit is reasonable. They are not going to get by with it.

That is about all I have to say. Thank you, Mr. Chairman.

MR. RUSH: Thank you, Miller.

MR. TONELLI: Mr. Chairman?

MR. RUSH: Yes.

MR. TONELLI: I represent the workers in the paper industry, and I firstly want to say that I concur with everything that my colleagues have said here thus far today, especially, brother Abel, when he mentioned that the steel industry is running at 100 percent capacity.

Let me say that the paper industry, which is the fifth largest industry in the United States, is running at 101 percent capacity, and with all of that, we have a tremendous amount of unemployment.

That comes to pass for two reasons. One is because there is greater consumption for paper, greater use for paper. And two, companies don't have the resources to be able to make the necessary expansion in order to meet the needs that are required today.

The reason that they can't make the expansion is because of the tight money policy. You don't build a paper mill today with peanuts. The last mill built by the Weyerhaeuser Company in Oklahoma cost \$300 million.

On the other hand, that mill produces 3,000 tons of paper a day. Under the old system of making paper, before technology came into being, that operation would have employed between nine and ten thousand workers.

So we, too, have a grave problem from the standpoint of unemployment. I must touch on this just a little bit; I know that we have talked about it this morning, on the matter of freezes on the prices and wages and guidelines and what-have-you.

Sure, they said that we had to conform to a guideline of 5.5 under Phase 4, and a ceiling was set on paper sold in the United States. For example, pulp went for \$195 a ton.

Industry found it more lucrative to send it abroad, at \$450 a ton, than turn it around and send it back to America and pay \$700 a ton for it.



You talk about a one-way street. Why, this is incredible. If we are going to have a freeze, as President Meany said, it has got to be from A to Z. It can't be just a mumbo-jumbo situation such as we had with Phase 4 and beginning with Phase 1.

We talk about additional productivity. When these productivities are increased, what do companies do in the way of rewarding the employee with greater incentive for these increased productivities?

I don't see any extra bonuses or any extra pay voluntarily put in the envelopes of the employees, the members of our union.

All I know is that every paper company last year -- their profits ranged anywhere from 40 to 75 percent over and above the previous years.

One of them went to 110 percent. Steel and paper were almost at the bottom of the totem pole, from the standpoint of profits.

Last year, I think steel was 76 and paper 75, or vice versa. But the workers got no extra compensation. We were locked in with the guidelines of 5.5. We had to negotiate with a large company employing some 60,000 workers for six and a half percent for this year and next year.

I just met with this big company Monday to see if

I couldn't move them to 10 percent. Believe me, the productivity has increased tremendously, but what are companies doing to reciprocate, where the unions are lending this cooperation to get greater productivity?

And I must agree with what has been touched upon here on multi-nationals. I read in "The New York Times" Sunday where Taiwan is expecting to increase its national gross product by \$3 billion in the next eight or nine years, and it is all going to come from the United States.

So, something, gentlemen, has to be done in the chambers of the Senate and the Congress to see to it that jobs after jobs are uprooted and transferred to Taiwan, to Korea, to Tokyo -- yes, and into Mexico.

These are the things that we need to come to grips with. The shoe industry has disappeared from America. I have been to Taiwan; I raised some money for Taiwan. I have seen what is there. Every industry that is in America is there today, and there will be more.

So, what kind of a break are we going to use to put some kind of a stop to these runaway companies, these multi-national companies?

So, these are the things that we need to come to grips with and are serious, serious matters. Unless we do, our unemployment is going to increase, between technology and runaway companies, to these foreign countries, where they

build factories for them, they give them tax exemption, they guarantee them there will be no union troubles in five or ten years. I think that the Congress and the Senate need to give a very serious look to these kinds of things that are confronting us.

In the paper industry, we have a tremendous amount of unemployed, because companies -- the need is there, but the companies don't have the money to expand because of the tight money policy.

These are the problems.

Thank you.

CHAIRMAN RUSH: Thank you very much, Mr. Tonelli.

I wonder if Mr. Ward would like to address this subject?

MR. WARD: Are we on the subject of productivity?

CHAIRMAN RUSH: Yes.

MR. WARD: I am getting a little mixed up, because everybody is talking about --

CHAIRMAN RUSH: Yes.

MR. WARD: I am glad to have the opportunity to talk a little bit about productivity, because, particularly in the construction industry, we know so little about it that anybody could be an expert on it.

I got to be an expert on it many years ago on a construction job, when I got my first lesson in productivity.

The foreman for the laborers assigned the laborer to dig a hole for a footing, and the Project Manager came along and said, "How long will it take this one man to dig the hole?"

The answer was, "It will take him four hours."

So the Project Manager said, "Why don't you put two men on, and it will only take two hours?"

And the laborer foreman said, "Why don't we put four men on, and we won't have to dig the hole at all?"

(Laughter.)

MR. WARD: That is what creates unemployment. But, insofar as the construction industry is concerned, we have had many discussions and many attempts to measure and study productivity on construction work.

It is very difficult to really determine whether you are increasing productivity or not in the construction field.

First of all, we think that a number of things could be done in the construction field to increase productivity from the standpoint of -- as I mentioned earlier this morning -- to try to stabilize employment in the construction industry, to try to work out arrangements with employers where the jobs are planned better, where the employers are furnishing the tools and the equipment on time, so that the people who are actually doing the

construction work are not standing around and being blamed for low productivity.

But again, the construction industry is so fragmented that in order to really find out what is occurring in the construction industry, you have to go to some of the different Government agencies as well as the industry itself.

If we are going to even make studies on productivity in the construction industry, attempt to do better planning in the construction industry, and increase productivity in the construction industry, which we are all interested in doing, we are going to have to have some Government office in which the problems of the construction industry are centralized.

The way it is now, you go to one office of Government to talk about productivity, you go to another one to talk about -- excuse the expression -- "Davis-Bacon" rates and things of that kind.

So, we think that in keeping with the policy of all unions, we are interested in higher productivity, because we recognize that wage rates tied in with higher productivity are not inflationary.

But I think that in the construction industry there ought to be more effort made by the industry itself, by both the unions and the employers -- and again, I don't know how

you do this without a little help from the Government to get into these things and see what we can do to not only see what the productivity factors are now, but also to see what we can do to increase it.

Thank you.

CHAIRMAN RUSH: Thank you very much, Mr. Ward.

Mr. Gleason, would you like to address this subject?

MR. GLEASON: Yes, Mr. Chairman.

I would like to talk on productivity and inflation at the same time. I think we are in a different situation than many of the unions.

I think the shipping industry now, especially in general cargo and trade, is at the greatest times we have ever had in our history.

And in the interest of following out the recommendations of Mr. Meany and the A.F. of L. Council that we get a contract early without a strike, we got one on June the 28th which was a good agreement -- the first contract we ever got in 28 years without a strike.

So we had more wars with management than Napoleon had with the Russians and the rest of those guys for a great number of years.

But we got it, and it looked very good. It was over \$3 an hour when we got it on June the 28th. But, you know, everyday, as you look at it now, it decreases a little

bit because of the cost of inflation. But we have got the contract and we are going to stay with it for three years. We didn't think a strike at this time would help the company.

What we did with unemployment was, we handled it ourselves. In our contract, we increased our productivity from one gang of 18 men on a ship doing 18 tons per gang per hour, to 300 tons per gang per hour.

But if any displacement was taking place in there, if any man was displaced in the industry, if any industry had a guarantee in full pay for the rest of his life unless he retired or was pensioned off, we provided for that. It increased our productivity.

But what we kind of feel bad about, if we make these agreements kind of early, four months ahead of time, for stability reasons, where exporters and importers can continue to ship and receive their freight, an erosion sets in because of inflation, and there is a tendency there to get a quick contract.

You will go down the line, and keep the companies on the string until you get the best you can at the last minute.

So, what we have got to look for here is to cut inflation, cut that inflation, and if we cut it, I think, with the request that was made here by Mr. Meany, Mr. Abel, and the rest of those this morning, for a productivity

committee and that we get this in operation and if inflation is cut, I'm sure we'll create jobs and I don't think we ever want to go back to WPA or those kind of jobs again and leaning on shovels and stuff like that.

I don't think they make these shovels that strong anymore anyhow, to lean on. I think what we've got to do is do something that's constructive to get inflation under control and maybe we have to do something with those guys with the white sheets over there, them sheets that they're talking about and I think here that we can do something about it if we get ourselves organized, and I'm sure now if this is not a dress rehearsal today and we mean business and we organize ourselves, then I think we're on the right road.

MR. RUSH: Thank you very much, Mr. Gleason.

I think we might now move on to a subject that has been concerning us a great deal and I'd like to call on Mr. Roy Ash to give about a 15-minute presentation of the composition of the federal budget and our plans with regard to that.



MR. ASH: Thank you very much. A number of you have commented in one way or the other on your view that Federal expenditure should not be reduced.

I know the President appreciates those expressions, and I know that he especially appreciates the reasoning that you have provided in expressing yourselves that way.

But let me, at the same time, give you as the best I can, some facts about Federal expenditures, and some of the reasons that it is important to make some, but limited cuts at this time.

First, I think it is important just to deal with the perception of Federal expenditures. There is no such thing as Federal Government money.

The only thing there is is tax payers' money, and most of that tax payers' money is the hard-earned dollars that have been cashed away from your constituents from your members and I think you would agree that it is important that we spend that money as prudently on their behalf as it is that we expect them to spend their own.

And, for that matter, if we spend more of the tax payers' money than we take in -- that is, run a deficit -- the net effect is to create another tax, the tax of inflation, which again falls right back onto those same people that are your constituents, and your members.

So, it is, I think, important that we keep in mind

that we are talking about tax payers' dollars, not about some Federal dollars that stand independently of all the people of this country. It is their money.

As a key part of the battle against inflation, the President has set a firm objective and committed a national effort to reduce Federal expenditures to below the level of \$300 billion for this fiscal year, the one ending next June 30th.

The budget, as you may know, has been \$305 billion, and with revenue expectations of somewhat less than \$300 billion, there was already a built-in deficit and an indication that it would be very prudent fiscal policy to close that gap and to get expenditures down.

I would be the first to say that cutting the budget is the only battle ground in the war in inflation -- there are a number. And a number have been identified here this morning.

But, I do want to make it clear that a number of us believe that it is important to achieve the President's budgetary objectives.

First, if we do so, we will reduce the Federal Government's demand on the limited amount of credit that there is available in the credit market of this country.

In the process, take some of the pressure off of monetary policy, and together, these two actions themselves

will contribute considerably, we believe, to keeping interest rates down. After all, when the Federal Government is going in and bidding up the price of money, and it does bid it up every time it has a deficit, then that itself contributes to just the point that was mentioned so much here this morning, keeping interest rates down.

Also, I think, that you would agree that if it is a time when the people of this country, all across this country, have to carry some portion of the burden of dealing with the solving of the problems of inflation, it also necessary for the Federal Government to show its own prudence, and particularly to show prudence in how it spends the hard-earned money of tax payers.

Also, I suppose if we, ourselves, are prudent in the expenditures of tax payers' money, and in doing so, we help keep down inflation, we will tend to make some of those contracts of the kind that Mr. Gleason mentioned more worth it than if inflation continues and drains away from the values of those contracts.

And, then another point, and another very key reason, and it was one that I was going to come back to a while later, in keeping Federal expenditures down this year, is most of all a small change of course this year, may seem only small, it may seem like it is not terribly significant. We could go one way or the other. But, if one looks out

ahead in the years 1976-7-8-9 and '80 and beyond, unless we do change the course that we are on, we will find that the problems we are today talking about, will be small compared to the ones that we foresee in the future. It is essential to change course.

So, let us look at the '75 budget, and some of the selected background data, to give you an idea what the issues are in achieving the President's objectives for fiscal year 1975 and for the years ahead.

I think each of you have some charts in front of you, and I will go over them with just a few brief explanatory comments.

The first chart covers the Federal Government expenditure from years 1961 to fiscal year 1975, that is for the last 15 year period.

I think it is interesting to note in looking at that bottom line, it starts off at about \$100 billion number, the amount that was spent in 1961, that this republic, in the whole life of this republic, the first 150 years of this republic, through 1930, only spent \$100 billion cumulatively for all of those years.

Yet, in 1961, in one year, we spent \$100 billion, and of course, it went up as you can see in the charts to spending \$300 billion per year now.

So it is obvious that the country is larger, the

economy is larger, the role of government is larger, and unfortunately the value of the dollar is less. Yet, to move up from \$100 billion to \$300 billion in 15 years is a very vivid example of exponential growth at work.

But then as you look at the other line on the chart, there is a quite different picture.

When we look at the Federal budget in a constant dollar basis over the last 15 years, you may not agree on which is the cause and which is the effect, that is Federal spending and inflation, but if we do adjust Federal expenditures for inflation during that time, we have a different picture.

We show that during the first half of that 15 year period we have a 50 percent growth in Federal Government expenditures -- that is, the full growth of Federal Government expenditures on a constant dollar basis, took place for over a period of time starting, say, in 1961, running through 1968.

Yet, in the second half of that 15 year period, since 1968, on a constant dollar basis, adjusting for inflation, Federal Government expenditures have been just about flat.

They have gone up just about the rate of inflation. We will argue later the cause and effect relationship between these, but nevertheless on a constant dollar basis

Federal Government and its expenditures and expenditures of tax payers' money have been flat for a considerable number of years.

But this is no consolation. It is no consolation because during that same time, we have had fairly significant deficits, largely because of the Tax Reform Act of 1969, and the 1971 tax change, the net effect of which was to reduce revenues and even as we were holding expenditures relatively level on a constant dollar basis, holding expenditures relatively level, revenues were not keeping up -- and as a result we were generating some deficits.

Let me look now at another chart which shows you another phenomenon in a different sort of a way. How much money have we been taking away from the people of this country, the workers of this country and what they otherwise could have consumed in goods and services for their personal consumption and instead spending that money for Government.

In effect, we relate Federal expenditures to gross national product.

For a number of years, in the early '60's, we were spending about 19 percent or so of gross national product. In effect, taking away from the people of the country about 19 percent of what they might otherwise have consumed and spent -- and spending it for Governmental

functions of one kind or another.

But it stepped up sharply in 1968 to a 20 percent plus. Well that is a fairly significant number, given the fact that we have a -- more than a trillion dollar gross national product level. It has stepped up considerably from the 19 then to the 20 percent plus number.

It was effected largely by the Vietnam war, as we all know. But for that matter, even as that war was over and we began to reduce expenditures for that war, the level didn't go down. And therein lies a story, because the level of Federal Government expenditures still continued at the new higher level.

Well, what is the problem. The problem, of course, is the simultaneous change of mix of what we have been spending the tax payers' money for.

We have reallocated priorities. Defense reductions that have been taking place since 1968, have been supplanted by social program increase.

On a constant dollar basis, from the look at this chart, is a vivid explanation of what has been going on particularly since 1968, and again this is expressed on a constant dollar basis. So you get an idea of change without the effect of inflation cranked into it.

The test, which was on a 1975 constant dollar basis, was the equivalent to \$92 billion in 1961, is down