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THE SCIENCE AND TECHNOLOGY CONFERENCE ON INFLATION

Summary

September 18, 1974
Washington, D. C.

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NARRATIVE SUMMARY

I. GENERAL

The meeting on Science, Technology and the Economy consisted of a main session on Wednesday, September 18, preceded by smaller working group sessions on the evenings of September 16 and 17. During the latter, a review of the national economy and the federal budget was provided by the Office of Management and Budget.

The meeting was directed most strongly to identifying priorities for reduction in inflationary trends through (a) removing barriers to effective use of existing technology, (b) introducing new technology and (c) application of improved analytical methods. In keeping with this emphasis on priorities, three specific sectors were identified for detailed examination as offering the greatest potential leverage for contributing to the lowering of inflationary pressures in the national economy in both short and long term through science and technology. These three illustrative sectors were (a) manufacturing, materials and energy, (b) health services and (c) agriculture and food. Detailed position papers and specific issues for each sector were provided to participants in advance of the meeting. The summary presented here points up a number of features common to these sectors, and there was agreement among the meeting participants that similar problems and opportunities exist in several other sectors of the national economy. It is useful here to remark on several general points that emerged from the discussions, before summarizing the outcome of the sector analyses.

There is worldwide recognition that the growth and strength of the U. S. economy is associated in large part with the stimulation of technology and effective use of its opportunities. However, over the past decade significant contributions to inflationary tendencies are associated with two national developments involving technology. The first is the introduction of policies intended to correct social costs incurred by rapid growth of certain technologies - e. g., automobile transportation, energy. The second is the introduction of policies to extend the benefits of specific technologies - e. g., health care. The contributions to inflation have resulted from inadequate recognition in the policy-making process, given the time-scale set for policy implementation, of the need to (a) stimulate the necessary and optimum corrective technology to ensure least-cost solutions, and (b) create the environment to best ensure the least-cost application of desirable technology.

In particular, there is evidence that responsiveness to providing technological change to meet regulatory requirements has been obtained at the price of diverting research and development resources away from process or product improvement in some key industries. The tools and information for a proper analysis of total (economic and social) cost and benefits are emerging only slowly. Accordingly, greater attention should be paid now to re-assessing the desirable balance point, given present knowledge, between the rate of striving for laudable social goals and the rate of accumulation of measurable economic costs. At the present time, greater effort is needed to improve the quality of the scientific measurements which form the basis of wise public judgment as to the desirability of specific goals in such important areas as environmental quality, safety and health care. Likewise, appropriate effort and emphasis is needed in the national science and technology effort, both public and private, to sustain the creation of technological options that can provide the flexibility required to meet the changing range of objectives of public policies, now and in the future.

II. MANUFACTURING SECTOR

There was general agreement that technological progress, manifested in productivity gains and improvements in the supply and quality of goods produced, has a strong influence on economic growth and the control of inflation. Approximately seventy-seven percent of the economic growth which occurred during the postwar period can be attributed to technological progress. Continued economic growth will depend on continued activity in science and technology which will provide future technological options for improving productivity with the flexibility necessary to be responsive to changing emphases in public policy. Historically, technology has had a particularly significant effect on productivity in the manufacturing sector. Its potential for further improving productivity in this sector in the future is believed to be high relative to that for the agriculture and service sectors.

It was recognized that there are essentially two avenues by which technology can improve productivity in the manufacturing sector. First, research and development resources may be re-allocated to fund those programs which have the greatest leverage on obtaining significant productivity improvements; such expenditures would thus contribute less to inflation than they would without the re-allocation. Second, initiatives can be undertaken which eliminate policies and institutional factors which tend to cause barriers to improved productivity. The first avenue will lead to productivity improvement over the long-term while the second avenue can lead to more immediate results.

Several participants stressed that major barriers in the manufacturing sector to the implementation of productivity - enhancing technology arise frequently from workers resistance to change and from institutional and organizational inertia. Furthermore, there are indications that these barriers are becoming even more pervasive. They reflect, in part, the workers perception that technological change sometimes causes side effects undesirable for the workers involved, such as job dislocation, reduced employment opportunities, and reduced job satisfaction from downgraded job skills, lack of challenge and opportunity, de-humanization of the working environment, increased boredom. Government policies which are designed to create incentives for greater application of technology must give close attention to such socio-economic factors if they are to be effectively implemented.

For impact on inflationary pressures in the near term, it was widely agreed that:

Significant opportunities exist for improving productivity in the manufacturing sector by increasing the efficiency of the production process. These efficiencies can best be achieved (1) through wider application of advanced information technologies for production scheduling, inventory control, cash management, etc.; (2) through the application of advanced computer-managed systems for discrete-piece manufacturing; (3) through the application of techniques such as hot iso-static pressing of powdered metals, precision forging, etc. which reduce the manufacturing operations required to meet dimensional specifications and the amount of scrap produced; and (4) through the use of more efficient coservation and conversion techniques which reduce energy and material requirements.

Furthermore, changes in Government standards and regulations could produce immediate effects on the use of existing technology for improving efficiency and productivity. Here, special attention should be directed (1) toward achieving uniformity and compatability of codes and standards within and between states which will allow advanced manufacturing techniques to be applied to improve productivity in building construction and (2) toward the revision of Government procurement and contracting procedures which currently contain dis-incentives for contractors to invest their discretionary capital to reduce costs and increase productivity.

Likewise, the purchasing power of the Government can be used to create incentives for the application of technology to improve manufacturing productivity. Products can be specified in terms which place incentives on achieving high performance, low life-cycle costs, and low materials and energy consumption. Similarly, dis-incentives can be created to discourage excessive product differention and lack of standardization which impedes implementation of automation in warehousing and distribution.

In identifying action that should be taken now to be capable of influencing inflationary trends over the longer term, the following items were seen to be important:

Barriers to the development of productivity-enhancing technology can arise as an unforseen and unintended result of Government policy-making. The extent to which current tax, regulatory, anti-trust, and standard-setting policies, together with existing institutional barriers, impede the application of technical progress to improve manufacturing productivity requires examination with a view to minimizing the impedence.

Manufacturing productivity can be enhanced through development of an institutional mechanism which would pool available resources for manufacturing research and development, promulgate uniform procedures for measuring total productivity at the firm level, and provide statistical data on the rate of productivity change. Industry fragmentation can impose limits on the scale of development programs which can be undertaken to improve manufacturing productivity, and joint research and development programs tend to be discouraged because of anti-trust considerations. The establishment of an institutional mechanism to allow the pooling of resources on an intra-industry basis and which would be directed toward common productivity problems should have a significant pay-off.

Finally, wide dispersions exist between the most efficient manufacturing plants and the less efficient plants in various industries. Government actions which create improved technology transfer systems and investment incentives could serve to reduce these gaps and produce important productivity gains.

III. HEALTH SERVICES

The questions which were posed of the industry of health care were similar to those raised for other industries (e.g., what was the particular contribution to inflation, what opportunities were there for its relief, what special opportunities were there for science and technology toward improvements in productivity, efficiency, and effectiveness, etc.). These questions were answered for health care in a way which reflected the peculiar characteristics of that industry (unusually inflationary, highly labor-intensive, high degree of elasticity of demand not always clearly related to real need, highly fragmented in its organization, and possessed of a series of incentives which did not particularly favor improvement).

There appeared to be few opportunities for the direct application of science and technology to make sizeable alterations in the inflationary character of that industry in the immediate future. However, certain actions should be started now in order to be able to realize tangible results later on. By contrast, there were clearly seen to be enormous opportunities to bring about economic stability in the health care sector over the medium and longer term. A question central to this issue was, assuming the advent of a national financing scheme for health care (national health insurance) and of suitable regulatory mechanisms, are there roles for science and technology that can help solve problems of inflation and the poor record of productivity gains? The answer was clearly in the affirmative in the long run. However, this answer was accompanied by an impressive list of qualifications and prior conditions which must be satisfied in order to realize the benefits from science and technology and which reflect a series of institutional barriers and perverse incentives which must be altered:

1. The present generation of health insurance mechanisms and the present arrangements for capital financing deliberately foster in-patient hospitalization accompanied by expensive services often of uncertain benefit.

2. Present practices strongly encourage the use of supportive (but expensive) technologies rather than less expensive, but curative technologies.

3. Some forms of health insurance under consideration (such as catastrophic insurance alone) will promise to be further inflationary.

4. Health care is provided to a great extent in the form of disaggregated, individual, enterpreneural units.

5. Defensive medicine, caused by the thrust of a malpractice climate, is highly expensive.

6. Present regulatory schemes, although desirable in concept, promise to be inflationary in practice if not done properly.

A combination of both public attention through governments and private efforts will be needed to bring about the necessary conditions for the full participation in the benefits of science and technology. Contrary to the situation perhaps in some other sectors, both the demand and the supply aspects require forthright and deliberate attention. This attention should be directed at all of the aspects of financing, regulating, organizing and evaluating health care, at assuring adequate information, and at finding solutions to the highly expensive and unproductive patterns of accommodation to malpractice concerns.

As to specific actions, there was agreement that there was an immediate need for a new institutional setting in order to fulfill the tasks of evaluation, information, and research and development aimed at improving the management, productivity, efficiency, and effectiveness of the health care industry. Specifically, an Institute of Health Care Studies should be created by a consortium of organizations from the private sector. Such an institution should be designed to harmonize the best resources of government, industry and universities and should bridge the public and private sectors. This institute should receive its financial support ultimately from funds intrinsic to the health services industry including both the private and the governmental aspects. This notion would go far toward combining the advantages of a creative, private-public partnership with those of supporting research and development in the health care industry in the way which has been traditional and so productive for much of American industry.

Finally, for the long term, the discussions recognized the scientific limitation on the improvement of health (extension of life, and reduction of mortality) to be overwhelming. It is only through continued investments in futures through fundamental research that expensive supportive therapies ("halfway technologies" such as the iron-lung and the current kidney machines) can be replaced by much less costly definitive and curative methods of treating disease.

IV. AGRICULTURE AND FOOD

This area has a profound influence on the inflationary picture, not only in terms of agricultural abundance being basic to changes in costs of food, but also in terms of the influence of agricultural exports on the balance of payments; in 1973 agriculture provided the largest single contribution ($9.3 billion) to the trade surplus. Science and technology offer some leverage on agriculture for the short term, but their principal influence lies in actions now and in the near future that would contribute to the continuous rise in productivity of the total food system -- production, handling, transportation, storage, processing and marketing -- that is necessary to exert a steady downward pressure on inflationary trends into the longer term. At the present time, food and agriculture maintain a much smaller backlog of unexploited technology than, for example, manufacturing generally. The present structure of research and technology support for agriculture was asserted by several of the discussion participants to be less vigorous than needed to meet the nation's demands over the coming decade. The group called for a strengthening of the research and development organization, in both the basic and the applied aspects, as being essential to meeting these needs, in particular by strengthening the cross-ties between the biological sciences and the applied agricultural technology.

Since the Federal Government is the source of a large proportion of the research funding for agriculture and food, it is in a position to effect an improvement in the recognition of the value of selecting research emphasis on the basis of its contribution to the effectiveness of the total food system, and also to effect a better coordination of research activities in this area. The opinion was expressed that efficiency would be enhanced by a greater coordination of both Federal and state research under regional directors, structured either around specific crops or around natural geographic regions of the country.

Numerous participants indicated that, in view of the inflationary pressures on food prices of regulatory requirements on the agriculture and food industry, a mechanism is needed to better assess consumer and social costs arising from regulatory controls. Calculations of the costs and the benefits both for the consumer and for society would provide a realistic means of assessing the merits of existing and pending legislation. This would apply especially to food standards, labeling, pesticide tolerances, effluents from processing plants, and related regulatory standards, including the question of inconsistencies with the standards for other effluents, e.g., urban sewage. There was agreement that some opportunities for reduction in these costs should result from research on alternative use of processing waste flows.

The recurring use of transportation in the food system was noted, and in view of the already increasing shortage of both railroad and truck units, the inflationary pressures in the agricultural sector could worsen with further deterioration of the transportation system.

Suggestions were made that a mechanism of monitoring both inventory and location of railroad cars and truck transports is badly needed. A nation-wide system, utilizing contemporary information technology, would maximize the efficiency of transportation by permitting optimum control by operators of location and despatch of transport units.

Science, Technology and the Economy

AGENDA

Wednesday, September 18, 1974

Chaired by Dr. H. Guyford Stever, Science Adviser to the President

8:30 a.m.	Remarks by the Chairman
8:35 a.m.	Agriculture and Food: Assessment and discussion
9:00 a.m.	Health Services: Assessment and discussion
10:00 a.m.	Manufacturing, materials and energy: Assessment and discussion
10:30 a.m.	General Discussion: Development of principal priorities for attention with respect to assisting in the alleviation of inflation, and specific recommendations for action. (a) Short term (b) Long term
12:30 p.m.	Break
1:00 p.m.	Lunch
Afternoon	Staff and appropriate meeting members work on preparation of specific issue papers.

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The

Conference on Inflation

Health, Education, Income Security and Social Services

Summary

September 19-20, 1974
Washington, D.C.

THE CONFERENCE ON INFLATION
on
HEALTH, EDUCATION, INCOME SECURITY AND SOCIAL SERVICES

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HEALTH

Rapporteurs: Michael R. Pollard
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A. SUMMARY

The Pre-Summit Conference on the Impact of Inflation in the Health Sector brought together more than 100 representatives from the public and private sectors involved in the planning, financing, delivery and purchase of health care. The health care industry was characterized during the Conference as being both a cause and victim of inflation. It was apparent that individually the delegates recognized the heavy potential impact of continued inflation, although few appeared to admit the necessity of joint action. Despite an uneasiness caused by the belief of many that the Conference was designed to rationalize cuts to the Federal health budget, the conferees offered many suggestions to improve the ability of the sector to contain cost. A few were short term suggestions; most were aimed at long term structural changes. Few suggestions were received without some voiced difference of opinion. On many issues, had there been more time and more specific points raised, the differences would likely have been more clearly delineated. If there are no universally acceptable solutions, the Conference at least revealed that there are a variety of potential solutions.

B. INTRODUCTION

The Pre-Summit Conference on the Impact of Inflation on Health brought together more than 100 representatives of health providers, insurers, consumers, and analysts. Many of the conferees prepared and contributed written statements, the contents of which were summarized during three separate panel discussions convened on Thursday afternoon and Friday morning. Given the diverse backgrounds and interests of those invited, it is safe to say that a wide variety of views were expressed concerning the impact, causes of, and remedies for inflation within the health sector. The brief time available and the number of participants severely limited discussion of this complex problem, and resulted in an even more limited consensus on major issues. This report represents a highly condensed summary of an already compressed series of discussions and observations. It is intended to be an accurate account of the Conference highlights; it cannot pretend to be comprehensive.

It is necessary to add, at this point, a statement conveying an undercurrent of distrust regarding governmental objectives prevalent throughout the Conference. Conceptually, the idea of open solicitation of public views on inflation, implying public input into the policy-making process, is inherently appealing. Many of the conferees, however, expressed their fears that this Conference was designed as a palliative to public sentiment; that there are, or will be, policies enacted that will result in a reduced Federal commitment to health programs. Administration assurances to the contrary, many conferees will await with considerable apprehension the results of final policy deliberations.

Despite these fears, the opportunity to be heard was important, and earnest efforts were made to address problems that extend well beyond the specific Federal budget. That no dramatic solutions were advanced is to be expected. It is clear, however, that this group did not consider the problems of health care inflation to be insoluble. There was recognition that short-term solutions are limited and probably nonexistent. Immediate actions which may produce long-term structural changes and resolutions are possible and must be considered by the Congress and the Administration.

Inflation in the Health Sector

Total health expenditures have risen between 1950 and 1974 from 4.6 percent to 7.8 percent of the Gross National Product. The rate of increase in medical care costs during recent years has been 10-12 percent, and in recent months, the overall prices of medical care have climbed at a projected annual rate of 17.6 percent.[1] There were differences of opinion as to the validity of DHEW projections, in that some individuals strongly contended that 1) recent monthly data should not be annualized since they represent too brief a period to be considered a permanent trend and 2) that these dramatic

1. DHEW projections based on the CPI statistics for May to August 1974, recently released by the Department of Labor Statistics.

increases, well above the overall increase in the Consumer Price Index for all goods and services, are a bulge caused by the extended controls that operated on the health sector until May 1974. Despite such opinions, there were few participants who did not agree that escalating costs and prices above the rest of the economy should and must not be allowed to continue unchecked. It was suggested by several conferees that the goal of this conference should be to attempt to identify those elements of the health care system which cause health care prices to increase at a greater rate than general prices, as well as to prepare strategies for containing health sector costs to a level at least no higher than those of the general economy.

Even if we ignore the most recent experience, current per capita health expenditures are estimated at $496. Continued growth in these expenditures represents a substantial sum and threatens to crowd out many other equally important areas of human need. At the very least, the following two questions must be addressed: 1) who will finance the continued growth in expenditures in the health sector; and, 2) how can the rate of increase be contained. The Federal Government has a dominant and growing role in health, in that approximately 26.2 percent of total health expenditures came from the Federal budget in FY 1973. Its percentage contribution has more than doubled since 1966.

Despite the importance of governmental intervention, personal expenditures, directly or through insurance, consume a significant percentage of available resources. For the poor, where resources are limited and often fixed, escalation in health care prices cannot be absorbed, and there appears to be only one choice--postponement of additional expenditures on health care. The erosion of the health dollar is not an abstract economic problem for the poor. It is a matter of life and death.

Impact of Inflation on Health

There is widespread recognition that the current inflationary trend throughout the economy impacts significantly and adversely on the entire health sector. The seemingly dramatic increases in Federal expenditures within the health sector represent less an expanded commitment to health than an attempt to keep pace with the rapidly declining purchasing power of the dollar. For example, of the $4.3 billion increase in Federal Medicare and Medicaid expenditures between FY 1974 and FY 1975, more than $1.8 billion is required simply to stay even.

Under the current levels of inflation and without an expanding budget for health:

- Existing programs will be forced to reduce the quantity and/or the quality of services, thereby adversely affecting the health status of Federal target population (the poor, minorities, children, the elderly, veterans, etc.).

- A higher absolute amount, if not a higher percentage, of the cost of financing service programs will be shifted to consumers, many of whom cannot afford the services available at current price levels.

- Health research programs will be curtailed, thereby slowing down the search for technological solutions to both illness and the ability of the health system to serve the total needs of the population.

- Promising new programs recently initiated, such as Health Maintenance Organizations, will be reduced in terms of scope and penetration.

- Health manpower programs will be effectively curtailed, thereby pushing farther into the future the time at which the entire population will have access to health care.

The list could be expanded, but the message is clear. Unless the rate of inflation is contained or the budget expanded, we will face severe restrictions in health care--restrictions that we can neither afford nor tolerate as a nation with the highest per capita standard of living in the world.

The conferees recognized that health care providers are also caught in the web of inflation. Although clearly the provider side of the health care industry must bear its share of responsibility for inflation, the industry itself is threatened by inflation. By passing through increases in cost to consumers, without at the same time taking decisive action to encourage greater efficiency, the providers run the risk of greatly accelerating a radical restructuring of the entire health care industry.

Potential Impact of Anti-inflation Policies

The Administration is considering, or has adopted, a variety of policies to stem the tide of inflation. A number of these policies were discussed during the conference; many were not. Given four types of anti-inflation policies--namely, 1) monetary policy, e.g., raising interest rates, 2) fiscal policy, e.g., reducing governmental expenditures, raising taxes, 3) manpower policy, e.g., accepting higher levels of unemployment, and 4) incomes policy, e.g., wage price controls--the following catalog of effects may occur:

- Higher interest rates will increase the cost of health facilities construction (e.g., hospitals, clinics, HMOs, Neighborhood Health Centers, research laboratories, medical schools, etc.). Mechanisms designed to finance the delivery of health services will confront higher claims for reimbursement; most governmentally sponsored financing programs will face an increased drain on available resources, thus adding to the inflationary effects already felt by these programs. As a result, there is likely to be a general slowdown in construction of new health care facilities (e.g., HMOs or ambulatory facilities). This could lead to a reduction in the quality of care, as well as a reduction in the dispersion and implementation of new technologies.

- Higher interest rates will increase the cost of obtaining educational funds. This may reduce the demand for admissions to medical education programs and may affect the flow and skill mix of the supply of health manpower for future time periods. There would appear to be incentives toward shortened training time and resultant shifts in specialty/occupational choices. The supply of highly skilled types of health manpower may be imperiled.

- Higher interest rates will raise the cost of treasury borrowing. This will increase the cost of financing the government debt, reducing that portion of the Federal budget allotted to health programs, and further adding to the inflationary pressures already experienced by these programs.

- Reduction in government expenditures may lead to arbitrary and capricious across-the-board reduction in budgets for Federal health programs, which may seriously impair the functioning of such programs. For example, the ability of the Veterans Administration and the Indian Health Service to attract sufficient numbers of physicians to meet the health service needs of their respective constituents may be significantly threatened, especially in the face of a rising wage scale for physicians, by such budget cuts.

- Increased unemployment leads to an increase in the need for government transfer payments. If a balanced budget or budgetary surplus policy is being followed, this may result in budget cuts for Federal health programs. However, increased unemployment leads to increased demand for health services under Federal programs. The reduced incomes of the unemployed will entitle many of them to Medicaid benefits. Thus, at a time when health budgets are being cut, there will be concomitant demand for increased health expenditures.

- Increased taxes may lead to increased wage demands by health personnel, thus adding to the inflationary spiral.

An administration unemployment policy was discussed and was viewed as unacceptable. The target population of DHEW already is subject to unemployment rates far in excess of the national average. It was clear that most conferees held the belief that the poor should not be asked to shoulder the additional burdens imposed by anti-inflationary measures.

Characteristics of Health Sector Contributing to Inflation.

It was generally recognized, as noted earlier, that the health sector is both a hostage to and a cause of inflation. There are recognized inherent structural defects in the current system responsible for the delivery and financing of health care.

- The concept of fee-for-service and cost-plus reimbursement neither encourages nor rewards cost containment and encourages cost growth.
- Existing methods of third-party reimbursement provide little or no control over rising prices.
- There exists insufficient competition within the health industry, so that market forces that exist in other sectors to induce increased productivity and efficiency are largely absent in health care.
- Although not a defect per se, health care is a labor intensive industry, thereby making the industry less susceptible to increased productivity through machine technology.
- Restrictive laws and practices exist that inhibit potential advances in productivity through the introduction of new types of manpower or better utilization of existing manpower.
- First-dollar insurance coverage reduces cost-consciousness on the part of consumers.
- Consumers lack the requisite knowledge to enable them to become aggressive, informed purchasers of health care.

These characteristics lead to substantial waste in terms of unnecessary hospitalization, excessive prescription of drugs, concentration on high cost solutions (in-patient vs. ambulatory care), and generally inhibit the ability of any one component of the health sector to implement potentially cost-beneficial innovations.

C. ACTION ALTERNATIVES DISCUSSED DURING CONFERENCE

It was apparent to the Rapporteurs that there were several common themes underlying the debate that took place throughout the Conference.

- The current system of health care in the United States requires fundamental structural reform if there is to be any chance of containing cost without deterioration in the quantity or quality of services delivered.

- Existing regulatory mechanisms are inadequate in and of themselves to meet the complex demands placed on the health sector and that those mechanisms which do exist are not used effectively. The question of whether this implies a need for more regulation or more competition was continually addressed but never resolved.

- The Federal commitment to health care must not be reduced.

The following paragraphs highlight the issues that were discussed during the Conference. Many suggestions were offered; either because of inadequate time for discussion or serious differences of opinion, there was little group consensus on individual suggestions. We attempt below to summarize those issues and major positions voiced.

The Need for Structural Change in Health Care Delivery

1. Consumer Involvement

There was considerable discussion and substantial agreement in principle that consumers need to become better informed and more active participants in any solution to inflation in the cost of health care. Some of the major issues discussed include the following:

- <u>Financial Involvement</u>. The trend away from direct financial involvement of consumers through reduction of out-of-pocket expenses was identified by many of the conferees as a contributor to inflation. This is a complex issue and representatives of consumer groups--especially the poor--resisted a number of suggestions that consumers be made to share a larger burden of health care cost. Changes in first-dollar coverage and the tax treatment of both insurance and medical expenses were discussed, without consensus, as approaches to raising the cost-consciousness of consumers and changing their purchasing practices. Deductibles were also discussed, and two positions emerged. The use of deductibles was seen to be incompatible with the realities of the poor and would prevent the purchase of needed service. It was also suggested, however, that deductibles can serve to reduce unnecessary demands on the system. These views are not necessarily incompatible, although the limited time for discussion prevented a thorough exploration of feasible approaches which might discourage unnecessary demands without penalizing the poor, the elderly, and others on fixed incomes.

- <u>Consumer Price Information</u>. There was discussion concerning the need to inform consumers about prevailing prices and fees in general, as well as charges for specific services rendered. It was generally conceded that consumers lack the information necessary to question the reasonableness of charges or to "shop" for the most cost-effective providers. It was noted, for example, that the Federal Government does not currently provide information to consumers under Medicare concerning the extent to which charges for services are abnormal relative to prevailing charges in particular geographic areas. The paramount issue here is not regulation of prices but a search for some method of inducing a more aggressive, questioning stance on the part of consumers.

- <u>Insurance Information</u>. Because of the complex and nonstandardized formats used to describe health insurance packages, most consumers cannot easily compare the cost and benefits of alternative packages. It was suggested that the consumer needs information, such as the portion of premiums paid out in benefits, administrative costs retained by insurance companies, significant exclusions, etc.

- Health Education. Consumers generally lack information that would allow them to know how best to use the health care system and what they should expect from the system when they do use it. The conferees identified the need for information that would facilitate independent consumer decision making on when they should obtain service, the best entry point into the system, optional services available, and individual provider performance at least with regard to prices.

2. Manpower

- Health Maintenance Organizations. Many participants contended that history and performance of prepaid group practice in the United States strongly suggest that such an approach results in lower overall cost and at least comparable quality when compared with many other health care delivery settings. There is clearly no consensus that this delivery method should replace all other forms. The expansion of the HMO program was urged by many conferees, with the recognition that many problems are yet to be solved for this promising approach.

- Peer Review. The concept of Peer Review in general, and PSRO in particular, was discussed. There appeared to be substantial agreement that PSROs should be expanded, although for different reasons. One group of conferees believed that this approach will lead to cost containment by curtailing unnecessary hospitalization, surgical procedures, drug prescription, and so forth. Another group was unconvinced that PSROs will contribute to cost reduction. Yet, they believed that PSROs will be necessary to monitor and maintain quality which could easily become a victim of inflation and anti-inflationary policies aimed at containing costs.

- Barriers to Productivity. Existing laws and reimbursement mechanisms combine to discourage and/or prevent efficient and innovative methods from being introduced. The expansion of nonphysician practitioners (e.g., nurse practitioners, physician assistants) is often inhibited by restrictive (or nonexistent) licensure laws and by reimbursement mechanisms that fail to provide for direct payment for the services of such practitioners. Concern was expressed by a number of conferees that, despite the potential for expanded productivity, there is a risk that the proliferation of new manpower specialities could become counterproductive, adding to the growth of cost through excessive specialization and fragmentation of function.

- Primary Care Practice. The potential expansion in the number of primary care practitioners was discussed with two major viewpoints being expressed. On the one hand, it was noted that the introduction of primary care practitioners into medically underserved areas is fundamentally a method for expanding access to health care. It would increase health care costs in such areas by virtue of the fact that more care whould be provided to the population. Alternatively, in areas in which specialists operate, it is believed that primary or family care practitioners can induce lower cost. A requirement for service in medically underserved areas was discussed.

- Information. It was suggested that there exists a need to improve and expand the flow of information between the Federal Government and providers in areas such as drug prices, quality and efficacy. Even outside the regulatory functions of agencies such as the Food and Drug Administration, providers need accurate and independent information if they are to be able to prescribe the most cost-effective drugs.

- Defensive Medicine. The practice of defensive medicine was generally conceded to result in not only higher cost, but also higher potential risk to patients. Although the group at large agreed that some approach is needed to minimize the practice, there was no consensus on the method. A malpractice insurance approach that focuses on compensation of the injured without regard to fault was raised without agreement by the conferees at large.

3. Facilities

- Prospective/Incentive Reimbursement. The issue was addressed as to whether prospective and/or incentive reimbursement methods which have been experimented with recently in the United States should receive further stress. There appeared to be major agreement that prospective/incentive reimbursement methods, which foster incentives for facilities to be more cost-conscious and place the burden of achieving efficiency on the provider institutions, (i.e., total budget prospective reimbursement) should be implemented.

- Replacement and Expansion. Given the "tight money" situation and the resultant higher costs of borrowing, it was recommended in one panel that alternative means of financing new or replacement plant and equipment be established. Others felt that more facilities already exist than are needed in most communities, and therefore, they opposed making it "easier" for more facilities to be built. Furthermore, the current inflationary situation may tend to stimulate internal efficiencies and greater cooperation among institutions within a given geographic area to consolidate services.

- Changes in Hospital Output. It was suggested that measures must be developed to offset the expected reaction of hospitals during inflation to alter case mix, ration admissions according to ability to pay, and adjust service intensity. However, no specific measures were put forth to deal with this problem.

- Quality of Care. The issue was raised as to whether the quality of care will be threatened as institutions are placed in a financial squeeze. This possibility led to a general consensus that measures need to be developed to prevent providers from taking undesirable shortcuts in the provision of care. To the extent that PSROs are addressing this problem, their continued support and expansion was recommended.

4. Financing

- Insurance Benefit Packages. Since most insurance policies promote high cost solutions, such as covering inpatient care and not covering outpatient, it was suggested that the benefit packages of all policies include equal coverage for ambulatory care, and thereby create incentives for utilization of less costly combinations of health care inputs (e.g., preventive care, home care, early screening, etc.). The proponents of catastrophic national health insurance proposals were willing to agree to the need for a package that allowed for the substitution of the least costly alternatives in the provision of care, but they made their feelings clear that the point at which the insurance should start paying is not with first dollars, but rather only when catastrophic illnesses occur.

- National Health Insurance. Discussion of whether the scope of benefits and target populations in the various national health insurance proposals should not be reassessed in light of the probable inflationary impact that any such proposals will have, created very emotional exchanges. After considerable debate, all that was agreed to was the fact that in the absence of any meaningful structural changes, the impact of any scheme for national health insurance will be to increase accessibility and to accentuate the demand for health care. Agreement was not reached as to the impact on supply.

- HMOs. It was suggested, and generally agreed, that financing arrangements which are based on capitation payment arrangements should be encouraged.

- Conflict of Interest. It was suggested that members of the governing boards in health care institutions disclose to the public their financial interests in order to insure that decisions regarding institutional operations and/or expansion are not made or influenced by personal considerations, or to enhance their own personal positions in the community. Strong resentment was expressed immediately by the representatives of the provider groups.

Issues in Regulation and Planning

Underlying the entire discussion was a basic disagreement among the representatives as to the appropriate role for governmental intervention; many conferees supported the concept of public utility type intervention (i.e., controlling capacity and rates), while many others supported the need for more market-oriented forms of intervention. This issue has significant ramifications, for if one chooses the "market approach," intervention should be of a market-perfecting nature (e.g., to improve consumer knowledge, to remove artificial barriers). If the public utility approach is chosen, one must define "need" and take steps to assure that this "need" is met. As can be expected, no agreement on this basic issue was reached, although a series of stimulating discussions took place around the specifics set forth below.

The conferees first discussed the pros, cons, and experiences to date of various forms of regulation and planning, specifically attempting to assess the long-run impact of alternative models (e.g., rate controls, physician fee schedules, certificate of need, etc.) on costs, quality, and quantity of services. The issue of at what level regulations should occur--Federal or State--was also addressed, with no resolution.

"Jawboning" as a voluntary method of restraint was felt not to be a viable option.

It was suggested at one point that since medical benefits are tied to the rate of inflation, while trust fund receipts are tied to wages, the adverse effects of current inflation on real wages result in an erosion of the income and actuarial status of the trust fund for Medicare. The question was raised of whether we should, therefore, include in a package of anti-inflationary measures, an increase in those payroll taxes that are earmarked for trust funds, since such a measure would be anti-inflationary while also directly improving the actuarial position of the funds. This immediately elicited strong feelings that such a policy would be both extremely regressive and place too much of an additional burden on low and middle income families.

- Oversight of Drug Prescription Practices. It was noted by many of the conferees that current drug prescription practices lead to excessive cost and unnecessary incidence of adverse drug reactions. It was suggested, and there was little discussion on this point, that the Federal government should institute an oversight function to monitor physician drug prescription practices and to become more aggressive in removing from the market drugs that are shown to be ineffective or hazardous.

- <u>Administrative Burden of Federal Programs</u>. A number of conferees stated that current regulations governing programs such as Medicare and Medicaid are unnecessarily complex and lead to excessive administrative costs by providers. It was suggested that a Federal effort should be initiated to review and question the benefits of the regulations and administrative paper work, and to retain only those requirements absolutely necessary to assure accountability and quality. The observation was made during the conference that the Federal Government does not now use its current administrative authority to induce more cost-consciousness on the part of providers. Specifically, one conferee noted that the 1972 Amendments to the Social Security Act permit adoption of the prudent buyer concept under Medicare, and therefore, government should provide, or cause to be provided, to consumers information about actual charges in relation to "reasonable" costs prevailing in the area.

- <u>Wage and Price Controls</u>.. The issue of wage and price controls in a labor intensive industry is obviously a sensitive issue. It was acknowledged that the Economic Stabilization Program did reduce the rate of increase in prices. The surge of prices in recent months, however, was attributed by many provider representitives to the fact that the health sector has been constrained without similar controls in other sectors of the economy, creating a temporary post-control price bulge to occur in an attempt to "catch up." Those conferees who suggested the need for wage and price controls, and there were many who did, did so reluctantly. The imposition of controls was observed by many to be a potentially necessary, short-term expedient to contain costs until longer-term solutions could begin to take effect. We must add, however, that there was no consensus on this issue and serious disagreement was voiced throughout the discussions.

D. RECOMMENDATIONS

The net result of the health sector meetings is that the conferees identified numerous and significant problems in the health care industry which either exist as a result of, or are responsible for, increasing inflation in our economy, and then proceeded to formulate recommendations for action. The diversity of the organizations represented by the conferees, as well as the fact that papers were presented and discussion was conducted in the context of three separate subsector panels, contributed to the lack of widespread consensus on the recommendations for action by government or private groups. The first of the recommendations set forth below is the only one which represents true consensus among the conferees. The remaining recommendations reflect the views of a substantial number of conferees, with the proviso that strong dissenting opinions were often expressed. The presence of dissent is indicated by footnotes to the recommendations which outline the nature of such contrasting views. The following recommendations did not necessarily emerge from all three of the panel discussions, but they do represent the outcome of discussions in at least one of the panels:

- <u>Retention and strengthening of human services programs.</u> Reduction of the Federal budget for health and other human service programs is an inappropriate action to take in the fight against inflation. If the Administration elects to adopt a strong anti-inflationary policy, the attendant increase in unemployment will increase not only the need, but also the demand for governmentally sponsored human services programs. For this reason, human services programs should be strengthened rather than reduced or eliminated.

- <u>Containment of operating costs.</u> Operating costs in the health sector should be contained to as close to parity with increases in the Consumer Price Index as is possible.[1]

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1. Institutional providers went on record as opposed to the current DHEW practice of annualizing monthly increases in hospital service charges which have occurred since the removal of economic controls in May 1974. They expressed the view that the substantial rise in daily service charges merely reflects a "catching up" phenomenon in the health sector which resulted from the Economic Stabilization Program, and that there is no reason to believe that recent increases will continue over the course of the next year. Consumers, on the other hand, supported the efforts of DHEW in making this information available to the public.

- Restructure reimbursement. Reimbursement for health services must be restructured so as to encourage the development of payment mechanisms which contain market incentives (e.g., prospective reimbursement on a total budget basis rather than on a line-item basis).

- Shift emphasis to ambulatory and preventive care. Encourage the use of ambulatory care and increase the emphasis on preventive medicine through the restructuring of insurance benefit packages (e.g., prohibiting the issuance of health insurance policies which do not provide for ambulatory care coverage through changes in State laws regulating insurance) and the development of prepaid group practice.

- Options for hospital payment. Passage of H.R. 13461, introduced by Congressman Wilbur Mills, which establishes options for hospital payment for services rendered under programs established pursuant to Titles XVIII (Medicare) and XIX (Medicaid).

- Consumer education. Initiate consumer education activities directed toward increasing consumer knowledge regarding what are realistic consumer expectations from the health care system, particularly in the area of the efficacy of medical intervention.

- Consumer information. Provide consumers with information on drug prices, physician's fees, and hospital service charges so that consumers can begin to make more informed choices.[1]

- Change in HMO law. Change the statutory definition of Health Maintenance Organizations in P.L. 93-222 in order to allow for more flexibility in assembling benefit packages tailored to the needs and financial resources of particular population groups.

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1. Considerable skepticism regarding the advisability of this course of action emerged on the part of institutional providers and physicians; they expressed the fear that such information might tend to increase inflation by encouraging providers to narrow the range of fees charged and move all fees up to the higher end of the scale. The view was also expressed that consumers do not usually "shop around" for physicians and hospitals and that the mere publication of fees and charges is unlikely to modify their behavior in this regard.

- Adopt flexible regulations for PSROs and HMOs so that the quality of health care will not be diminished. Formulation by the Secretary of HEW, as rapidly as administratively feasible, of effective regulations pursuant to P.L. 92-603 (the 1972 Social Security Amendments) and P.L. 93-222 (the Health Maintenance Organization Act); such regulations must be sufficiently flexible to stimulate accelerated experimentation with a wide variety of alternative delivery system approaches and must stress the need to exercise caution in promulgating standards for the assessment and assurance of the quality of health care so that modifications can be implemented as the knowledge in this field develops. The quality of health care cannot be allowed to become a casualty of zealous efforts to contain costs in the health sector.

- Monitor the impact of and contribution to inflation in the health care sector. To better stimulate effective voluntary action within a reasonable time frame, there needs to be established as soon as possible a national program of on-going monitoring, evaluation, and public disclosure of the impact of inflation on the health care sector. In addition, the contribution of the health care sector to the inflationary spiral should be documented and disseminated to the public. To the extent possible, such a program should make use of existing resources and mechanisms. A program to meet this need might, for example, involve the following steps:

    1. The Council on Wage and Price Stabilization, with advice from the private sector, would monitor and evaluate health cost inflation trends in various components of the industry on an on-going basis.

        (a) Monitoring would commence as soon as possible, using existing sources of health care price, cost, and statistical data--including data on the Medicare program compiled by fiscal intermediaries.

        (b) Health care price and cost trends for individual components of the industry would be monitored and evaluated with respect to specific geographical locales (i.e., by State and/or Standard Metropolitan Statistical Area).

        (c) Initial evaluation of inflationary trends would take place six months following the implementation of the monitoring mechanism. The criteria for evaluation would be the general Consumer Price Index for the locale in question, modified as necessary to permit equitable consideration of unique factor input pressures over which providers have little control.

(d) Pursuant to evaluation, the Council would publicly report its findings, identifying those providers of health care whose price/cost performance is deficient.

2. Health care providers would be reviewed periodically, and interested parties (e.g., Council representatives, third-party payers, and representatives of the providers) would meet to discuss problem areas and alternative courses of corrective action in cases of failure to achieve acceptable results.

- Encourage comprehensive health planning. Comprehensive health planning coupled with regulatory powers should be encouraged at the State and local levels as a means for cost containment and reduction in the duplication of facilities and services, particularly through innovative uses of certificate-of-need and rate setting mechanisms.

- Increase supply of primary care providers. The supply of such primary care providers as family practice physicians, physician assistants, and nurse practitioners should be increased. In particular, third-party reimbursement for the services of non-physician providers should be encouraged.

- Reconsideration of national health insurance. Proceed with the development of a national health insurance program, but remain cognizant of the potential inflationary impact of increasing access and demand if changes in supply and the reorganization of health care delivery are not simultaneously instituted.

- Reconsideration of wage and price controls. As a shortrun measure, wage and price controls of a flexible nature could be reinstated.[1] Many conferees stipulated, however, that such controls should not be applied only to the health sector. Voluntary restraint was viewed by most as unlikely to curb inflationary behavior, even in the short run.

1. Representatives of a wide array of provider groups dissented from this view.

II

EDUCATION

Rapporteurs: Michael Timpane
Selma Mushkin

A. INTRODUCTION

While the education conferees appreciated the opportunity to participate in the discussion of national anti-inflation policies, they were concerned--some mildly, but some extremely--that they were participating in a decision process where the major policy directions of Federal budget cuts, continued tight money, and no other controls were already virtually decided. Accordingly, they wished the record to show that their attendance did not constitute agreement with, or even acquiescence in, such decisions.

B. DIAGNOSIS OF THE PROBLEM

Inflation is not the Nation's only compelling problem. Other problems are also acute, including the decay in the cities, the deterioration of the environment, and so forth.

The root causes of inflation are structural and originate in part in past neglect of appropriate tax policies.

Psychological, political, and institutional forces are at work. These are sparked now by shortages in supplies of energy, food, and metals.

Educational expenditures have not contributed in any substantial way to the present inflation. To the contrary, education is in the long-run strongly anti-inflationary in its contribution to increased productivity in human skills and improved technologies. Likewise, education's current operations are not fueling inflation: higher education has been through a recent retrenchment; and in elementary and secondary education, wage increases have moderated, and declining enrollments have led, rightly or wrongly, to reduced employment opportunities for teachers. These factors exist in both public and private institutions.

C. PRESCRIPTIONS

The steps necessary to control inflation are not monetary stringency nor fiscal policy alone. Present inflationary forces point first to directing growth (at home and abroad) of supplies of those commodities in short supply. The means to this end are new incentives that would change consumption patterns and reduce real income so as to modify those consumption patterns further. A successful policy is ultimately one that induces a reduced demand for scarce materials by changing relative prices and by permitting real income to decline for the same purpose. Under present circumstances, Federal budget cutting provides a blunt instrument of control, and one not likely to have a high yield.

What is more, Federal budget cutting in education would be most unfair to those citizens and children who need additional services most: the economically disadvantaged, the handicapped, ethnic minorities, and adults (especially women) seeking new or improved skills and jobs. These individuals have already suffered most from rising inflation and unemployment. (See Part IV for a fuller discussion of the effects of inflation on particular groups.)

Federal programs in the past ten years have stimulated programs to help their education and their opportunities for employment in the educational system. Under education cutbacks, they will suffer more from lost programs and lost jobs.

Tax increases or reforms should not be ruled out. Taxation provides a far more flexible tool than expenditure control. New revenues, raised by progressive taxation, could provide needed "discretionary" funds with a balanced budget.

Perhaps some imagination could be applied to formulation of new fiscal methods, such as a saving-tax credit plan that would be paid out later--in cash or in educational allowances--when the economy cools off. Likewise, some consideration should be given to low interest loans to institutions or governments hurt by high interest rates.

Several conferees suggested that education, as a largely helpless victim of inflation, should support realistic, well-enforced wage and price controls. But others (notably the representatives of the AFT, who spoke also for the AFL-CIO) expressed "unalterable" opposition to such policies--based on their adverse effect on real wages during Phase II.

Education as a Tool for Dealing with Inflation

The supply characteristics of education are favorable for fighting inflation. Education has unused or underused resources that could contribute to the Nation's output, and by that higher output, reduce inflationary pressures. Basic quality improvements, such as smaller classes, could both add to employment and boost productivity. Better educational services for the disadvantaged, handicapped, and ethnic minorities would hold a special promise of producing such improvements.

This is possible without long-run demand induced inflationary consequences. Enrollments will be declining in elementary and secondary schools through the remainder of the decade; and higher education enrollments may decline substantially during the 1980s because of lack of demand for college trained persons.

The Product Characteristics of Education Are Favorable for Dealing with Inflation Through Education

Education can create skills, raise productivity and enlarge the Nation's output.

Some programs underway are designed to strengthen the capacity of education to perform in this way.

Career education needs far more encouragement so that young persons leave school with work skills. The work study program in secondary schools could assist those young persons without other resources.

The new Manpower and Training Program needs to be fully implemented--to train for new skills, to create more employability. It is an appealing countercyclical tool in a time of rising unemployment. Localities have not taken up the ball as was hoped. Also, colleges and universities must be encouraged to take up the President's challenge to involve workers in education. Higher education could profit by learning more intimately of the world of work, and workers gain by additional education. A structure to implement the President's speech is needed, not budget cutting.

Also, in addition to its direct contribution to productivity, education has a broader function including both public service and research. The historical record on research and agricultural productivity is well known. But new research is needed to further develop this Nation's capacity to cope with food production, energy and so forth. A stable real growth of research support is needed. But demand exists for other services--education for the handicapped, nursery schooling, etc. In short, our supplies of teachers and facilities could be used to divert consumer demand from goods in short supply, and create a market for existing school capacity.

D. OTHER ISSUES

Education and Public Employment

Educational institutions employ about 1/2 of the total number of State and local employees in the Nation. They could continue to do so, and they could absorb those who are newly trained releasing teachers for other professional tasks. Alternatively, funds proposed for public service employment could go to keep current employees facing layoff (e.g., teachers) employed.

Education has already been hit hard by inflation. During the past years, larger shares of school budgets are going to gasoline, lighting, heating and similar costs, and interest rates have gone up; and teacher's salaries have declined in real terms.

But education is not blameless in the cost of living rise and greater efficiency could perhaps help damper inflation a little bit, but the list of possibilities shows how small the effect would be:

- use school facilities on a year-round basis to reduce capital costs;
- use school facilities as centers for the elderly, day care centers, and multi-use community centers; and
- improve higher education scheduling practices.

E. CONCLUDING ACTION

At the conclusion of their deliberation, the conferees (with the recorded dissent of the National Education Association) voted to recommend the attached statement (see Part V) by Roger Heyns, President of the American Council of Education, to the attention of all Federal policy makers, as a constructive statement of their general sentiments.

III

INCOME SECURITY AND SOCIAL SERVICES

Rapporteurs: Philip Rutledge
Irwin Garfinkel
Felicity Skidmore

The intent of the HEW Conference was specified as an open forum in which the participants could assess and discuss:

(1) the impact of inflation on the groups represented at the Conference;

(2) their suggestions on ways in which inflation should be attacked; and

(3) the appropriate governmental and private sector economic policies to be followed.

It was also specified that the problems identified and the recommendations made would be accurately transmitted to the Summit Conference on inflation to be convened by the President and the Congress on September 27 and 28.

This document summarizes both the spirit and the substance of the discussions with respect to Income Security and Social Services. Summarized here are the recommendations from two general sector discussions, as well as the three sub-sector or panel discussions.

Before we move to the discussion of specific issues and recommendations, we would like to note certain reservations expressed by participants as to the underlying nature of and motives for the Conference.

First, we would note that there was a basic skepticism regarding the kind of report that would issue from the sector discussions. Would it be an HEW version of what was said? Who would write it? Was it in fact already drafted before the Conference took place? To those questions we can give a definitive answer. We three are responsible for this summary. Neither HEW nor Congressional staff contributed to its substance.

The second apprehension voiced was that we were called together for the express purpose of recommending cuts in the HEW budget, with the hope that participants would be set against each other, fighting over the bones of the budget that was left and over which group was the "most" disadvantaged of the disadvantaged.

The third, and final, general apprehension expressed was that no one would in fact listen to the report--or no one, at least, in a position of influence at the Summit on the 27th and 28th. The idea was expressed that participating in this meeting also should have been representatives from other sectors of the economy, including the business community. Simply talking to ourselves would influence nothing and no one.

In order to improve the possibility that the report will actually be read, we have decided to keep it relatively short. Recommendations on which there was either major agreement or major debate are mentioned in the next two sections.

It will be obvious that we have not the space to do justice to the richness of the debate, nor include every point offered and every suggestion made. We wish to stress, however, that the official record of the Conference (also available to the Summit conferees) will contain in full all the written papers submitted during the Conference. In these papers will be found many additional carefully formulated and explicitly spelled out recommendations. The final report will also contain transcripts of all the sector and overview discussions, and the Department retains tape-recordings of the panels.

With those preliminary remarks, let us proceed to the substance of the sector discussion.

A. THE POOR, THE MINORITIES, THE ELDERLY AND THE HANDICAPPED ARE THE MOST VULNERABLE TO THE RAVAGES OF INFLATION AND ANTI-INFLATION POLICIES. THEREFORE, THEY SHOULD BE PROTECTED AND HELPED THE MOST. (See Part IV for additional discussion on the effects of inflation.)

This major theme at the sector meetings, set early in the first general session and reiterated throughout all the discussions, was that the people HEW was designed to serve are the most vulnerable to the ravages of inflation. A top priority of Federal policy, therefore, should be to protect them so that they will not be the major casualties of either inflation itself, or the war against inflation. Inflation has hurt the poor most; social policy should help them the most.

There was practically universal agreement that the current economic situation features, in addition to prices that are rising ever more rapidly, a sluggish economy with rising unemployment. Unemployment affects persons with marginal jobs and income first and hardest. The last hired and the first fired are the poor, the minorities, the unskilled. National economic policy to fight inflation should not make worse the conditions of those already least well off.

There was also universal agreement that the prices that are rising the most are prices of necessities, including bread, rice, sugar, hamburger, fuel and light. These necessities are proportionately more important in the budgets of the poor than the rest of society. Those whose expenditures include few luxuries in the first place have no fat to trim from their budgets. As one participant put it, "cutting out steak, champagne and caviar is not to be compared with having to eat dog food, and finally the dog." Another participant asserted that with utility prices increasing so rapidly, poor families who are unable to get emergency assistance are living with no heat and light because public utility companies do not differentiate among reasons for nonpayment. If they move and change their names, the utilities are turned on. When unable to pay again the lights and heat go off; they are forced to move and change identity once more.

As the poor suffer more from inflation, and as inflation continues, there is no alternative, especially in the human resources area, to increasing Federal spending. There was major agreement with the view that it was more correct to say that inflation increases government spending rather than that government spending increases inflation. As more people lose alternative sources of income, the transfer programs will increase in size. As prices of necessities rise, government programs will increase their costs for the same level of real output, even if they do not increase their services with the increased need.

The sector participants overwhelmingly rejected the contention of the Administration that $5 billion should be cut out of the $300 billion Federal budget to reduce inflation. The consensus was that inflation was a phony reason for advocating such a cut. A cut of that relative magnitude would have a miniscule effect on the rate of price increases. Any effect it would have on the economy would be in the wrong direction--more unemployment for the vulnerable.

There was no disagreement with the view that HEW programs, like other programs both inside and outside government, should be scrutinized for cost saving and efficiency enhancing features. But the view was rejected as making no sense at all that human resource programs should be singled out at this time for particular scrutiny.

It was agreed, then, that the poor are the most vulnerable to inflation and that they must therefore be protected against the ravages of further inflation and counter-inflationary measures.

The major recommendations with respect to how to protect them are summarized in the next section.

B. THE INCOME SUPPORT SYSTEM MUST BE STRENGTHENED AS PROTECTION AGAINST INFLATION OR ANTI-INFLATION MEASURES.

Two facets of this issue surfaced in the discussion: First, that there were gaps in the system which left some people in need not eligible for any income support program; and second that many of the programs now in operation have benefit provisions that make them inadequate as protections against inflation or anti-inflation measures.

The major absolute gap in this system was found to exist with regard to the so-called working poor--people in low-income intact two-parent families or single persons without dependents who depend entirely on earnings for their income.

Many people in this group are already unemployed or underemployed. As the economy gets weaker more will lose their jobs. Work will be hard to find and many of them will not have had the kind of labor-market experience which makes them eligible for Unemployment Insurance. Even if they are, benefits from these programs have time limits on them. They are generally not eligible for federally funded cash assistance programs; the AFDC-UF program is their only major option. But this program operates in less than half the States, and its eligibility provisions are so restrictive that only something over 100,000 families participate at any one time. For those that continue to be able to find some work, as prices rise, as money (though not real) wages rise and if tax legislation remains the same, they will probably face increased taxes even as the purchasing power of their earnings is decreasing. They are eligible for the Food Stamp program, but the current participation rate in that program is only about 35 percent of those eligible.

The major far-reaching reform suggested for this group, widely though not universally supported by the Conference, was some form of a negative income tax. Such a system would have as eligibility requirements simply income level and family size. Many suggestions were made as to the need to integrate such a program into the transfer system, and one panel suggested that this Conference be used as the occasion to make another push on this point. The point was made that we have had study groups, commissions, and conferences recommend such steps before. We have had Federal legislation pass the House and come close to passage in the Senate. But these efforts failed.

The reasons given in the past for such a step have been:

- to improve the comprehensiveness of the transfer system;
- to provide better integration of the various parts of the transfer system;
- to improve the work incentive structure and remove tax rate discontinuities; and
- to cash out most in-kind transfers.

These objectives have obviously never seemed sufficiently important to secure passage of such legislation. But the current economic situation has added a fifth compelling reason. We discover for many families--particularly the working poor--that we have no system which automatically cushions income losses from unemployment. The Administration was therefore urged by many to to take another look.

The discussion did not stop there, however. The point was forcefully made that these persons and others need help now. That we must not wait for the perfect system before we make feasible immediate improvements in the parts of the system that are already operating. We must not allow the government to seize a long-run recommendation as an excuse for not acting now. The following immediate improvements were strongly endorsed by almost all participants at the Conference.

1. There must be tax changes at the low end of the tax scale. One widely supported suggestion was that tax rebates be instituted up to $6,000 or $7,000 a year, as in a bill now pending before Congress. Another was that a refundable tax credit be substituted for the personal exemptions in the positive income tax. This would make the income tax system more progressive at no net cost to the government and would serve to offset somewhat the regressive effects of the payroll tax.

2. The benefits of all the current transfer programs should be indexed to hold beneficiaries harmless against rising prices. This means that provisions should be added that specify that as prices rise, benefits rise proportionately. In connection with this recommendation, three things were particularly stressed. First, that the AFDC program, on which most poor children depend, has no price correcting feature built into it. The feeling was expressed that this was not an accidental oversight on the part of the Federal government, that this is not one of their favored programs. In the recent rapid inflation, AFDC benefit levels have lagged signifi-

cantly behind prices. It was noted that the development of children, unlike physical capital, will not wait for deferred expenditures; it was further noted that trying to correct the damage as adults will require expenditures many times greater. It was therefore recommended that AFDC benefits have a price correction feature built into them immediately. Unlike AFDC, the SSI program does have an indexation feature in its Federal portion. A major omission, however, is that the State supplementation part of SSI is not currently indexed. Immediate indexation was recommended in this area too.

The second point brought out with respect to automatic adjustment for price increases is that the Consumer Price Index (CPI) is an inadequate yardstick for such corrections. The CPI is basically a middle-class market basket of goods. The poor spend proportionately more on necessities than the nonpoor. Necessities are increasing in price faster than other prices. Prices faced by the poor since 1971 have on average been rising one-fifth more than for the nonpoor, by HEW's own calculation. A price index for the poor should therefore be developed. The point was stressed, again, however, that this should not be taken as an excuse for failure to implement immediate indexation--using the CPI because it is better than nothing--of AFDC and State supplements to SSI.

The third point made about cost-of-living adjustments was that one annual adjustment every year is inadequate. A current rates of price increases, people cannot wait for a two-digit percent price increase to take place in the market before their benefits increase. The suggestion was made that these take place quarterly at the very least.

3. Every effort should be made by means of out-reach informational programs to increase participation in the Food Stamp program and SSI. The participation of those eligible for food stamps is only 35 percent, and for SSI it is not much more than 50 percent. The Federal out-reach efforts have been minimal for SSI and virtually nonexistent for food stamps. Certain private agencies are trying, but the funds are not available to do an effective job.

In connection with food stamps, there also was overwhelming support for the recommendation that they be cashed-out, that is, that people be given the full equivalent of the stamp value in money. This would not only mean some added human dignity in the market place; it would also mean increased flexibility in the ways the poor can spend the money. One caveat, however, was mentioned. The cashing-out process should not be allowed to become a cover under which the Administration could reduce the full value of the transfer. It was also cautioned by one participant that the cashing-out proprocess could well lead to substantial increases in program cost as more people take advantage of their right to participate, and that these costs should be calculated in order to prepare for the change.

Immediate improvements should be made in the provisions of unemployment insurance and workmen's compensation. The duration of benefits should be increased, the waiting period and eligibility restrictions relaxed. The provisions regarding duration of benefits, eligibility criteria, waiting period and other regulations should be federalized, so that certain minimum standards are enforced and so that the program is uniform throughout the country.

4. With respect to the SSI program, in addition to the indexation issue mentioned earlier, it was recommended by many that the income floor be raised from $146 a month. Some suggested raising it to $200 a month, to allow recipients to reach at least the poverty level. It was also suggested that certain HEW regulations which impact on the SSI population should be revised so they will not work at cross-purposes. One example given was that currently SSI benefits are reduced by one-third for children who live with their parents. This encourages the movement of children from their homes into institutions, while National policy should be just the opposite. It was also suggested that giving tax credits for supporting dependent children, the elderly, and the handicapped in the home might be an alternative way of addressing this problem.

5. Another widely endorsed major new strategy for protecting the working poor was the immediate institution of a large-scale public employment program. It was recommended by many that a program to create up to a million public service jobs be set in motion immediately. The arguments in favor of this strategy were:

(a) the oft-stated point that the current inflation is accompanied by a slack labor market and a rising unemployment rate that hits the poor unskilled worker first and hardest;

(b) there are many worthwhile projects in the social interest which are not now being done and which unskilled people could effectively do; and

(c) that having a job for those physically able to work is an indispensable part of human dignity.

It was noted that the alcohol problem for Indian tribes is directly related to their frightening unemployment levels. One tribe has had the experience of being able to reduce their unemployment from 64 percent to 23 percent (although the current situation is sending it back up again) with the result of a major decrease in the incidence of alcohol abuse.

Although a majority of participants favored a strategy of public service jobs, however, many opposed such a large-scale creation in the current economic situation. The arguments against it were several.

(a) The total number of jobs would not increase by nearly as much as the number of public employment jobs because some jobs in the private sector would be eliminated by diversion of public funds to the new job program, and some State and local jobs would be performed by the new public employment employees.

(b) Any new jobs that would appear would be a very expensive way of getting spending power to the poor when compared with simply increasing cash assistance.

(c) Public employment may well be an appropriate part of a comprehensive long-term income support strategy, but it can only be effective in economic conditions when the basic labor market is tight, when most of the skilled labor market ready workers are already in jobs. As long as these workers are also looking for jobs, the people least able to compete in the labor market will not have a chance at the public service jobs in any case.

6. There was wide-spread agreement that Income Security programs, including unemployment insurance, should either be federalized or administered under Federal standards. Social Services, however, should be administered by the States and localities, with at least the current level of Federal financial participation continued.

   It was also observed by the Conference that social services for dependent groups under the Social Security Act are currently in a state of disarray, due in large part to misconceived Federal regulations designed to correct past abuses and mismanagement. Neither the Federal government, nor the States, nor the localities could administer social services effectively under current Federal requirements.

   Vocational rehabilitation was pointed to as one social service which returns an investment of as high as 14 to 1 on the dollars invested. The goal should be to improve the cost-effectiveness of all Social Services by establishing definite measurable goals, rather than to cut budgets for them.

   It was also pointed out that national health insurance could provide valuable underpinning to a comprehensive program of income security and social services. But cost controls in the health care industry should be instituted immediately. (See Part I for a fuller discussion of this issue.)

   These, then, were the major recommendations that surfaced at the Conference for protecting the most vulnerable in society from further ravages of inflation and anti-inflation strategies. In addition, there was much discussion of alternative strategies for fighting inflation. To these alternatives we now turn.

C. ALTERNATIVE STRATEGIES FOR COMBATING INFLATION

As mentioned above, there was unanimous rejection of the view that cutting social programs for the poor, the elderly, and the handicapped was an appropriate response to the inflation problem. There were widespread and repeated expressions that cutting $5 billion from a $305 billion budget would have relatively little impact on U.S. inflation given the worldwide price spiral. The point was made further that government spending has not recently been rising in real terms, and cannot be used to explain the inflation. The dollar rise has been in <u>response</u> to inflation. Thus, government spending cannot automatically be fingered as the villain. The point was made that recommendations for cuts in social programs do not contain assessments of the costs that might accrue to society from those cuts. A specific example given was New York City's fear every summer that funds will not be forthcoming for job programs to take teenagers off the street during school vacation. Calculations are not made of the possible social costs of destructive activities, or lost human potential through lack of use, that might be forthcoming as human service programs are cut.

It was strongly suggested that human service programs not be cut. Moreover, it was suggested that a social impact study similar to the current environmental impact study be made of the consequences of initiating new programs as well as of cutting old ones. This should be part of a larger strategy of developing and utilizing social indicators to measure the quality of rural and urban life.

If, however, a decision is made that the Federal budget has to be brought closer into balance, several alternatives were suggested.

1. The vast majority of participants felt that, in order to balance the budget income taxes should be raised, based on ability to pay. There was nearly universal agreement that all the easily identifiable tax loopholes and wasteful tax subsidies should be eliminated. (The estimates of how much revenue such actions would yield ranged as high as $80 billion.) There was wide agreement that taxes could well be raised for those earning $15,000 a year and above. In addition, there was a general consensus that corporate taxes should be raised--one man quoting the case of a year in which, as an employee of a company, he had paid more in personal income tax than the entire company had paid in corporate taxes.

2. A second recommendation, widely supported, was that interest rates should be cut. Not only would this relieve the hardship of the poor and the elderly trying to secure mortgages, it would also substantially relieve the cost burden on human service programs that need to borrow for construction and other durable equipment. It would thus enable the budgets of government social programs to be cut without adversely affecting the level of service delivery. In addition, billions of dollars would be cut from the Federal government's own interest obligations (which Mr. O'Neill's briefing showed to be substantial and considered to be irreducible expenditures).

Finally, most businesses have to pay interest. At least part of those interest costs are passed on to the people, in the prices of the goods they buy. Lower interest rates should thus reduce the upward pressure on prices. In the absence of a reduction in interest rates, the government should make low interest mortgage loans available to low- and middle-income people.

3. There was unanimous support in one panel for the recommendation that an investigation be instituted into the issue of administered prices. There is some evidence that certain industries are taking advantage of the inflationary situation to raise their prices without regard to whether those increases are strictly necessary from a cost point of view. One firm in the industry raises prices, the others follow suit, which does not constitute the overt collusion that the Justice Department requires before it can prosecute. The recommendation was that industry be required to show evidence of cost necessity before permitted to raise prices.

4. Another recommendation that came in for considerable discussion was the institution of wage/price controls. Many delegates were in favor of the re-institution of such controls, this time with vigorous enforcement. Another group of delegates were vigorously against them (particularly under the current administration) on the grounds that wages would be the only things effectively controlled. Employers have every incentive to enforce wage controls and therefore they can be effective. To enforce price, profit, and rent controls effectively (e.g., without damaging the economy or strangling competition) would require the will (which is not apparent in this administration) plus an army of enforcers.

5. Another suggestion enthusiastically endorsed was that other government Departments (as well as HEW), plus the private sector be called upon to examine their budgets vigorously to prevent waste of dollars, energy, materials, and other scarce resources. Extravagent consumption and expenditure of scarce resources, which contributes to inflation, is as prevalent in the private sector as in the public. The Defense Department was singled out for particular censure--it being noted that at the Conference their budget was not broken out so that participants could see the difference between so-called

controllables and uncontrollables. The conference called for such a break-out from OMB representative Paul O/Neill. 1/

6. A group of suggestions was made as to ways that HEW might save money on its programs without reducing the benefits and services to the people it serves. Certain of these had to do with administrative streamlining, reducing overlaps, and improving coordination among similar programs. A major additional suggestion was that regulations be changed so that unexpended monies did not automatically have to be returned at the end of the fiscal year. The current practice leads to sudden spurts of unanticipated and unplanned spending which encourages waste. This general point led to discussion of a serious complaint voiced by and on behalf of the State Administrators of Federal programs that they have no voice in the allocation of budgets for the programs they must plan for and administer. And what is even more damaging from the point of view of administering the service programs is that they often do not know what their budget is until the end of the year to which the budget is supposed to be applied. The combination of no input into the budget allocation process and no knowledge of what the appropriation is until it is supposed to have been spent militates against long-range budget planning. This in turn means that it is very hard for administrators to make contractual commitments to the other agencies and contractors they must deal with, because they can never know whether they will, in fact, be able to keep those commitments. This leads to last-minute and therefore high-cost budgeting both on the part of the State agencies and the private agencies with which they must deal.

In addition to the specific recommendations and the major themes to which they are related, which have been summarized above, there were many other individual recommendations regarding specific target groups and pieces of legislation. We cannot, as we have said above, do justice to them here. They do, however, appear

1/ This was subsequently provided and mailed to all conference delegates.

in the taped record of the conference proceedings and in the prepared statements--both of which are part of the complete conference record. We urge that these also be given careful examination and consideration.

D. CONCLUSION

The major theme of the Conference was the recognition that the poor and disadvantaged have been the most vulnerable to the ravages of inflation, and for that reason, the worst hurt. This led to the unanimous recommendation that our income support and social service systems must be strenthened and extended to protect those least able to protect themselves from further hurt both from the inflation itself and from the policy steps that may be taken to fight that inflation. As one individual so eloquently put it: Inflation is a serious problem. It has been said that we're all in the same boat. We are all at sea; but some of us are at sea in steamships, some in yachts, some in leaky rowboats, and some are going down for the third time.

IV

THE IMPACT OF INFLATION

A. OVERVIEW

Inflation poses an unequal burden upon those least able to make adjustments--the poor and those living on fixed incomes because:

- o the poor have lost a larger percentage of "real" purchasing power due to sharp increases in the prices of food, fuel, utilities, and housing;
- o increasing unemployment has been particularly severe on the poor, especially for minority groups;
- o jobs and wages available to minorities and low-skilled workers become more vulnerable in tight job markets;
- o benefits in public assistance programs for families have not kept pace with inflation; and
- o the working poor are not eligible in many States for public assistance programs.

The panel on elderly reached unanimous agreement that the elderly feel the effect of inflation more severely than does any other segment of the population because they are living on fixed incomes and spend a greater proportion of their budget than does the general population on essential goods which have shown the highest rates of inflation--food, shelter, household expenses, and health care.

The panel on handicapped concluded that, for many of our nation's 20 million handicapped individuals, the impact of inflation and possible resultant budget reductions finds them highly vulnerable. For them it is not an issue of driving a smaller car, but rather purchasing a wheelchair or getting to school. For them it is not an issue of eating less steak, but getting basic sustenance to survive. For them it is not an issue of taking continuing education courses in Macrame or flower arranging, but receiving the vocational training necessary to obtain a job.

The panel on children and youth concluded that programs to aid children and youth are not responsible for the inflation, but they are among its chief victims. Inadequate levels of funding in previous years are still less adequate in a severe inflationary period. The children of the poor, particularly minority group children, are the highest risk both from inflation and from attempts to control inflation via reductions in funding for human resources.

B. IMPACT OF INFLATION ON THE ELDERLY

Rapporteur: Bertha Adkins

Impact of Inflation

There was unanimous agreement on the part of the participants that the elderly feel the effect of inflation more severely than does any other segment of the population because they are living on fixed incomes and spend a greater proportion of their budget than does the general population on essential goods which have shown the highest rates of inflation--food, shelter, household expenses, and health care.

To illustrate the impact of inflation on older people, the following examples are offered.

- Over 17% of the total population over 65 have incomes below the poverty level.

- Personal health care expenditures in Fiscal Year 1973 rose fastest for persons 65 or over--11.6% compared with 7.6% and 9.9% for younger persons.

- Medicare met only 40% of the health bill of individuals 65 and over.

- Food costs have risen by 59% since 1967, including a 24% increase in cost of food in 1973.

- The spiraling cost of operation and repair and maintenance of housing, and increase in property taxes, have forced older people out of their homes, or significantly increased the percent of older people's income which is spent on housing.

Because the problems of the elderly, although aggravated by inflation, are longstanding and continuous, our discussion and recommendations were addressed to solving some of these fundamental problems rather than solely to inflation.

Recommendations for Action

Income

Social Security

1. Improve retirement income protection for those persons under 65 who are ill, disabled, or cannot obtain employment.

    a. permit retirement under Social Security at age 60, but with less than a full actuarial reduction in benefits.

    b. shift to an occupational definition of disability for individuals 55 and over.

2. Improvements in Social Security should be defrayed out of general revenue rather than higher payroll taxes.

3. CPI adjustments in Social Security payments should be quarterly rather than annually.

4. Housewives and mothers should be considered as self-employed and receive Social Security benefits.

5. Incentives for later retirements should be built into the Social Security system (actuarially increased benefits).

6. Veterans' benefits should not be reduced because of Social Security increases.

7. No attempt should be made to delay cost-of-living adjustments in benefit programs.

8. Provide for making a younger spouse eligible for Social Security benefits earlier.

9. Eliminate the retirement test for Social Security.

Other views - Do not eliminate the retirement test, as it would affect only about 10% of retired individuals, and would be inflationary. Instead, raise SSI benefit levels.

SSI

1. Federal government should make a massive effort to get all eligibles on the roles.

2. Supplemental Security Income adjustment to reflect changes in the Consumer Price Index should be on a quarterly basis.

3. SSI payment should be increased.

4. Emergency assistance should be provided for under the SSI program.

5. State supplements should be required to reflect increases in the cost of living.

6. Procedure for applying for and receiving SSI should be made less difficult.

Consumer Price Index

There should be a separate Consumer Price Index reflecting the actual market basket practices of older people.

Pensions

1. Private pensions should include cost-of-living increases.

2. Retired workers should be able to bargain with previous employers for pension increases and adjustments.

3. Pensions should be adjusted to allow the quality of living one had when he retired.

Social Services

1. Social services programs should not be reduced as a budget-cutting measure.

2. The full authorization under Title VI of the Social Security Act and the service programs under the Older Americans Act should have adequate appropriations made at once.

3. The Title VII Nutrition Program should be expanded.

4. Regulations for social service programs should be flexible enough to allow for professional judgement of social workers.

5. There should be specification in the Revenue Sharing legislation for earmarking of funds for the elderly.

6. There should be a mechanism to insure linkage with social services in Social Security district offices, whereby referrals to social services could be made.

7. S.3153 should be enacted in order to provide adequate funding for social services and a clear policy on social services.

8. Further consideration of development of one-step service centers should be made.

9. All public assistance benefit programs affecting the elderly should be adjusted quarterly to reflect changes in Consumer Price Index.

10. A declaration of need procedure should be used to determine income and resources for social service and cash benefit programs such as SSI.

11. Food Stamps should be issued automatically to Social Security and SSI beneficiaries along with their checks.

Health Care

1. Institute an immediate return to price controls in the health care industry.

2. The following reforms will alleviate rising health care costs:

   - better hospital management

   - implementation of Professional Standards Review Organization network

   - utilization control

   - abandonment of cost-reimbursement payment method

   - better utilization of health personnel

3. Enact some form of National Health Insurance which includes coverage for outpatient drugs and Intermediate Care Facilities.

4. Halt escalating medical care costs by encouraging rather than discouraging alternatives to institutional care.

5. Enforce the "most prudent buyer" concept in the law to control costs under Part A of Medicare.

6. Require carriers to inform consumers of "reasonable cost" principle under Medicare, and when physicians are charging above "reasonable cost" to enforce controls under Part B of Medicare.

7. The tax exemption for the cost of health care, and particularly out-of-pocket expenses, should be liberalized.

8. The quality of medical care should be maintained through recertification, standards of practice, and improving the maldistribution of physicians.

9. Provision should be made for more flexibility in use of health care funds, through encouragement of alternatives to institutionalization, encouragement of adult protective services.

10. Eliminate deductibles and coinsurance liability.

11. More funds should be made available for care of individuals in nursing homes.

Taxation

1. There should be property tax relief for elderly homeowners and renters;

   - incentives to States to offer relief;

   - individual income tax credit.

2. Introduce income tax reform so that there is equity in tax of the elderly.

3. Eliminate income tax on a larger percentage of earnings for the poor, exempt the first $3,000 of earned income.

4. Income tax credits should be made on social security tax to alleviate the regressive nature of the payroll tax.

5. Liberalize tax exemptions for the cost of health care, (out-of-pocket expenditures).

Housing

1. Funds allocated for Section 202 housing for the elderly should be made available.

2. Coordinate Section 202 implementation with new Section 8 program to utilize fully the non-profit, voluntary sector for senior housing needs.

Employment

1. Title IX of Older Americans Act authorization should be extended to insure that older people have employment opportunities.

2. Mandatory retirement policies should be eliminated.

3. Opportunities for second career training should be made available.

4. Specific authorization should be provided for employment for the elderly under the Comprehensive Employment and Training Act program.

5. Community service employment opportunities for older persons should be expanded through Federal, State, and local participation.

Private Savings

1. High-interest government bonds should be made available in small denominations.

2. Series E and H government bonds should be subject to cost-of-living adjustments in order to maintain purchasing power.

3. "Constant purchasing power" bonds should be made available for small savers.

General

1. Programs for the aging, where budget requests remain stationary for FY 1976, should have increases in order to meet needs adequately. (Titles III and VII of the Older Americans Act)

2. Expand the Federal revenue through tax reform.

3. Do not cut funds for research in aging.

4. Examine the priorities in the Federal budget--Defense budget should be cut rather than looking to HEW for program cuts to halt inflation.

5. Assure that Revenue Sharing funds are used for the elderly by making a separate authorization for the elderly; do not use Revenue Sharing monies to replace service monies.

6. Control food prices through:

   - export controls

   - control of speculation in the commodities market

   - no barriers to foreign food imports

7. Do not recreate a patchwork economic stabilization system which exampts big business and impacts heavily on older people.

C. IMPACT OF INFLATION ON THE POOR

Rapporteur: Joan Miller

General Views

A number of groups expressed disagreement with the premise that inflation can be alleviated by cutting the Federal budget. That position did not mean that no part of the budget should be open to examination for possible revision and for possible changes to increase administrative efficiencies.

The group was in agreement that programs providing direct payments to low-income individuals and families, and programs to provide supportive services for those people, should not be reduced. It was the consensus of the meeting that low-income individuals are bearing a disproportionate share of the burden of inflation as detailed in the points following presented at the Impact Session on the Poor.

There was a call for a new "attitudinal posture" on the part of the administration toward the poor and a recognition that the poverty existing today reflects the failures of the system and of administrations to deal effectively with the needs of all the people.

Impact of Inflation on the Poor, Including Minority Groups

Inflation imposes an unequal burden upon those least able to make adjustments—the poor and those living on fixed incomes--because of the following reasons:

1. The poor have lost a larger percentage of "real" purchasing power because of sharp increases in the price of food, fuel, utilities, and housing. Since 1971, the prices of goods which predominate in the budget of the poor have risen 23 percent, while the prices of goods purchased to a larger degree by other sectors of the population have risen 20 percent. The poor have no "cushion" in their budget. In 1972 and 1973, many were already eating low-cost staple foods. In 1973 prices of these foods soared: white bread by 28 percent, potatoes 44 percent, flour 58 percent, rice 100 percent, and dried beans 103 percent. While the affluent may cut down on vacations, the poor cut out shoes, warm clothes, and health care for their children.

2. Increasing unemployment has been particularly severe on the poor, especially for minority groups. While the aggregate unemployment rate has edged up from 4.7 percent in August 1973 to 5.4 percent in August 1974, the unemployment rate for teenagers has risen from 14.3 percent to 16.3 percent and the rate for non-farm laborers has risen from 8.4 to 10.9% during the same period.

A number of organizations presented statistics on specific minority groups:

-- Because of unemployment it was estimated that 54 percent of non-white youth are in poverty.

-- General unemployment has been coupled with a sharp increase in long term unemployment (15 weeks or more) among black males from 105,000 in March 1973 to 148,000 in March 1974.

-- Another development has been the drop in black men over 16 years of age in the labor force from 76.5 percent in 1970 to 73.7 percent in 1972.

-- Unemployment in the black community may be as high as 45 percent. This suggests that statistics on unemployment may be badly distorted because of the large numbers of black and other poor who are not actively seeking employment and are not counted in the published statistics.

-- Black women are handicapped because of their low average wage--$5,150 for full time jobs in 1972.

-- In 1974 about 34 percent of all black families are headed by women, a rise of 24 percent since 1965. The percentage of black women who were single increased from 41 percent in 1960 to 54 percent in 1973.

-- Unemployment has been particularly severe on Indian reservations. Many of the programs started by the Federal government to improve housing and other facilities have stopped. Even those ongoing have become more costly because of inflation and the number of individuals employed on projects has been reduced. Unemployment is as high as 50 percent on many reservations. Accurate statistics are not available because Indians in many cases are not included in the count.

3. <u>Jobs and wages available to minorities and low skilled workers become more vulnerable in tight job markets.</u> Minorities, youth, and the unskilled workers in many cases are the last hired and the first fired. They are generally non-union and are thus unable to exert effective economic power to secure sizable wage increases. Furthermore, the poor do not have the skills necessary to adjust in a competitive job market. The end result may be loss of wages or static wages in periods of inflation coupled with high unemployment.

4. Benefits in public assistance programs for families have not kept pace with inflation. State administered welfare programs do not have cost of living escalators nor do they have requirements to meet minimum standards of adequacy. Statistics presented indicate that during a period when food costs increased 41.7 percent, the average welfare benefits per person per month, increased only 14.7 percent. At the same time that public welfare benefits were increasing by 14.7 percent, other costs of the poor were also increasing--gas and electricity costs rose by 25.6 percent and fuel oil and coal costs by 75.4 percent.

5. The working poor is not eligible in many States for public assistance programs. Many States do not choose to allow families in which there is an unemployed father to be eligible for AFDC. Therefore, in those cases where wages are very low or the father becomes unemployed he is not eligible for welfare. Unemployment compensation is not indexed, is time limited, and is inadequate in many cases for large families.

Recommendations

The Impact Session on the Poor was in agreement that immediate steps should be taken to reverse inflationary trends and the concomitant effects on the poor. There was concern that many of the gains made by minority groups throughout the past 25 years had been reversed. One organization cited the abrupt cancellation of 25 HEW minority projects in May 1974 as an example of the lack of concern in dealing with the special problems of such groups.

A fear was expressed that the administration may support the concept that increased unemployment may be necessary in the fight against inflation. If unemployment does increase, as predicted in the next several months, between 600,000 and 900,000 additional people will be added to the poverty population.

A number of recommendations for lessening the impact of inflation on the poor were discussed, some with general consensus, some with disagreement, and some proposed by one organization. These are as follows:

1. Increased use of Public Service Employment. The session was divided on its support of these programs. Some participants

felt that the only answer to large scale unemployment is an expansion of public service employment programs. The jobs should be socially useable, should include job training, and pay a liveable wage. Others questioned cutting the Federal budget, thereby causing unemployment, and then providing Federal funds for public service employment. There was a feeling that public service jobs, unless carefully monitored, would merely substitute subsidized jobs for existing jobs if it is of the scale that will make a significant difference in unemployment. Finally there was criticism of programs set up on a quick and generally inefficient basis and then abruptly terminated.

2. Reform of the Unemployment Insurance Program. The Unemployment Insurance Program should be indexed and integrated with other income support programs, including Public Service Employment if such a program is expanded. The States should be asked to increase unemployment insurance benefits, since many are low and the States have reserves in the unemployment funds.

3. Cash-out of the Food Stamp Program. Giving individuals and families cash instead of food coupons would eliminate many administrative complexities and costs. The cash out would provide the family with greater discretionary income which is basic to coping with inflation. It also would remove the indignity attached by many to using coupons at grocery outlets. Others expressed the view that if food stamps are retained, the bonus value should be raised to reflect more accurately the current cost of a more reasonable food budget.

4. Improvements in the AFDC program. The group felt that there either should be national standards of eligibility and a national floor (which should be indexed) for the AFDC program or there should be a uniform national welfare payment. There was criticism of the Work Incentive Program which requires welfare recipients to actively seek work in order to receive welfare when there is such a scarcity of jobs and no money available for transportation and other costs incurred in making the job search.

5. Regulatory changes to improve administrative and program effectiveness. Detailed and complicated regulations that are frequently changed add to program costs. This was viewed as particularly frustrating by State and local officials. Regulations should be accompanied by an economic impact study to be published with the regulations in advance of their adoption. As an example, the Wage and Hour Guidelines from the Department of Labor recently published have an enormous economic impact which has not as yet been clearly determined.

6. Program consolidation. Programs that have similar eligibility requirements and operating procedures should be combined for administrative simplicity and cost savings. For example, the AFDC program, the Medicaid, the SSI program, the social services program, and the Food Stamp program all deal with essentially the same populations, are administered by the same agencies, yet each may have differing rules. Not only does this add to administrative costs, it presents a formidable barrier to a potential recipient who has to cope with the separate eligibility requirements.

7. Tax Credit. Some participants supported the concept of a tax credit or tax rebate as a method that would most simply distribute to the poor wage earner either a percentage of his income or a fixed amount up to a given income level. This was viewed as a means of offsetting the regressive features of social security and other payroll taxes.

8. Tax reform. There was general agreement that tax laws need reform to correct the loopholes under which many of the affluent pay low taxes. By reducing the percentage of tax paid by low income individuals, or through the tax credit mentioned above, the purchasing power of poor people will be increased. There was criticism of subsidies to industry and of tax policies which allow increased profits (believed to be used by the administration in its inflation fighting program) at the expense of programs for low income people.

9. Decrease in interest rates. The session encouraged the administration to adopt policies which would decrease the interest rate for consumer purchases. Because of poor credit ratings and low income, the poor individual is affected more adversely. High interest on mortgage loans have made it impossible for most low income families to own their own homes. The participants felt that there should be changes in Federal banking regulations which would allow more home mortgage loans, with possibly a requirement that banks invest a certain percentage of their assets in low and middle income housing loans. A review of credit laws relating to low income individuals may be necessary to prevent abuses now prevalent.

10. Reconsideration of wage and price controls. The participants were divided in their views on wage and price controls. There was some feeling that wages had been suppressed in recent years and have not kept pace with consumer prices. There was also recognition that controls are temporary and that now the country is experiencing a period of increasing prices because of the lifting of controls.

Summary

The recommendations of the session discussing the impact of inflation on the poor in general were not expansionary but were designed to emphasize that consumer accountability is not a viable option for the poor who have little or no disposable income. Rather the administration should examine its priorities in funding programs that benefit other countries or programs for capital expenditures which can be delayed. It was agreed that inflation cannot be solved in a hurry, but at the same time the participants urged that programs not be cut without a strong understanding of the impact of such cuts and without a rational basis for determining which programs should be reduced.

D. THE IMPACT OF INFLATION ON THE HANDICAPPED AND DISABLED

Rapporteur: Fred Weintraub

Impact of Inflation

Handicapped individuals have been and continue to be the most abused and ill-treated minorities in our society. For many of our nation's 20 million handicapped individuals the impact of inflation and possible resultant budget reductions finds them highly vulnerable. For them it is not an issue of driving a smaller car, but rather purchasing a wheelchair or getting to school. For them it is not an issue of eating less steak, but getting basic sustenance to survive. For them it is not an issue of taking continuing education courses in Macrame or flower arranging, but receiving the vocational training necessary to obtain a job.

Handicapped Americans, as do all Americans, suffer from inflation but it is our belief, that they suffer disproportionally and that it must be the function of government in periods of inflation and restrictive budgets to give priority attention to those highly vulnerable classes in society that are affected most by inflation.

It is also important to note that it costs more for handicapped individuals and their families to merely survive than it does for other segments of our society. A blind individual may have to spend as much as half of his income to hire a reader. Parents of a handicapped child may be forced to pay thousands of dollars for their child's education where other children receive such education at no cost and as a matter of course. A physically handicapped individual will have to purchase and sustain a costly automobile, because of barriers which prevent utilization of public transportation. A deaf individual has to bear the high costs of communication devices far in excess of those incurred by his hearing peers. These are but a few of the examples too numerous to mention.

As a discriminated against population, the handicapped are just beginning to gain their right of access to employment, housing, education, health services, and other basic human enterprises. However, as inflation in these major systems spirals, the handicapped will probably be the first to suffer since they are still perceived as having only <u>marginal</u> access to participation.

Reducing or slowing down the Federal role in aiding the handicapped will not help to fight inflation, but in fact the reverse may be true. To withhold habilitation services will result in higher welfare costs. To fail to provide education will result in more institutionalization at costs many times greater. To cut back

Federal support from services that are constitutionally or statutorily required will merely pass those costs on to State and local governments.

If we were a society of equals, then the handicapped would be willing to bear their equal share of the fight against inflation. However, the handicapped are far from having equal status or means in our society and thus will suffer greater hardships than non-handicapped Americans if they are asked to bear this burden on shoulders that have not yet been given the strength to meet their own needs.

We reject the assumption that the only means the Federal government has available to control the rate of inflation is to significantly freeze or reduce Federal budget expenditures. We urge that consideration be given to increased taxation, tax reform and interest rate reduction as several alternatives among many that may be more equitable than solely a reduction in Federal spending.

There are numerous ways participants noted that the Federal government could increase the efficiency of its present efforts and also reduce the negative impact of inflation on the handicapped. Some of these are briefly described below and more substantially discussed in the position papers submitted by delegates (contained in the Final Report, and submitted separately to the Full Conference).

<u>Ways to Increase Efficiency and Reduce Negative Impact of Inflation</u>

<u>Management</u>

- Improve planning and coordination within and among Federal, State, and local governments and the private and voluntary sectors.

- Respect and support the responsibilities of State and local governments, by directing resources in a manner that enables them to provide the needed services without substantial bureaucratic procedures.

- Establish strong performance goals and program standards and hold providers of services accountable for their attainment.

- Establish price guidelines for goods and services unique to the handicapped (i.e., wheelchairs, braces, hearing aides, braillers, etc.) so that costs are limited to inflation and not exploitation.

- o Provide services to handicapped individuals on the basis of what the individual needs in order to participate in major life activities (such as education, communication, health maintenance, employment, mobility, etc.), rather than on the basis of disability classification, military history, or gross economic status.

- o Return to a more pay-as-you-go approach to Federal financing so that items such as construction, personnel training, and other Federal activities are financed on a current budgetary basis through grants rather than through subsidized interest or loan guarantees which simply inflate and provide uncontrollables for future budgets.

- o Haphazard reductions in Federal staffing to manage programs may in the long-run be costly to the public since they result in less efficient programming of resources and oversight to assure that resources are utilized as intended.

- o Reductions in spending for research may be budget saving for the present, but may simply delay solutions to critical problems that are now consuming even greater resources. However, more stringent criteria should be required of applied research and demonstration efforts to assure that they are problem oriented, replicable and provide for efficient change in practice.

- o Insure the participation of the handicapped in all programs and services available to the non-handicapped that might be beneficial thus eliminating the constant need for dependence on costly special delivery systems.

Health and Mental Health

- o Invest in prevention of disability; the cost savings are obvious.

- o Emphasize early screening and diagnosis.

- o Insure the delivery of services at the onset of the handicap thus reducing its debilitating effect and habilitation costs.

- o Examine National Health Insurance plans to assure that the astronomical health costs incurred by handicapped individuals are more adequately covered than under private plans: for example, the failure of many private plans to cover "pre-existing conditions" and limitations on number of hospitalizations, days in the hospitals, or total dollar outlays.

- Consider better cost controls in the health fields either through price controls or greater consumer utilization review.
- Establish and enforce standards for care and treatment in institutions.

Education and Rehabilitation

- Support and enforce Federal court orders requiring States to educate all of their handicapped children.
- Emphasize early childhood education programs; research has demonstrated that with special early childhood programs as many as 50 percent of our handicapped children may require little or no special education when they reach school age, a great cost saving to the public.
- Improve employment capabilities by increasing career alternatives for handicapped individuals by requiring that handicapped individuals have access to the basic and special resources of vocational education, continuing education, and higher education.
- Sustain support for the training of education and rehabilitation personnel, particularly for personnel skilled in working with the most severely handicapped.
- Facilitate the re-entry of handicapped individuals into vocational training programs when their skills become obsolete or unmarketable.

Employment

- Enforce provisions in the Vocational Rehabilitation Amendments of 1973 which prohibit discrimination against the handicapped in employment under Federal contracts. Handicapped individuals capable of working should not be more highly unemployed than their non-handicapped peers.
- Avoid policies which emphasize short term or "dead-end" jobs; rather give emphasis to more stable work opportunities. High employment turnover is costly to the employee, employer, and the public.
- Explore the possibility of sheltered workshops receiving more contracts for goods and services under the Wagner O'Day Act.

Income Maintenance

- Re-examination of the definition of the handicapped under Supplemental Security Income to determine if it is too narrow thus denying benefits to less severely handicapped individuals now being forced off the job market because of inflation.

- Insure that Supplemental Security Income payments are delivered promptly.

- Set national standards and guidelines for income maintenance programs. Federal Supplemental Security Income payments are below the poverty level. There must be a guaranteed level of at least $225 per month regardless of State participation. Expand indexing beyond cost of living to include such factors as assets, special needs, purchasing power, etc.

- Examine the wage structure of sheltered workshops where individuals are paid according to piece rates and thus may be earning less than minimum wage but too much to qualify for Supplemental Security Income.

Environmental Barriers

- Transportation is a major excess cost incurred by the handicapped, because of the failure or refusal of public transportation systems to make it possible or permit handicapped persons to use such systems. The Federal government must require the end to such practices.

- Availability of housing free of barriers and adapted to meeting the needs of various handicapped groups is minimal or non-existent. For a handicapped individual without benefit of economy of scale to individually absorb such costs is impossible. The Federal government in concert with the building industry and consumer groups should design an approach to solving this problem.

- Despite P.L. 90-480, public buildings are still constructed with architectural barriers which do not permit access or utilization by handicapped individuals. Stronger enforcement must be mandated.

E. IMPACT OF INFLATION ON CHILDREN AND YOUTH

Rapporteur: Sandra Scarr-Salaptek

Children and youth must not be sacrificed either to inflation or to its control. Participants in the impact session on Children and Youth achieved consensus on this and several other points:

- Meeting the needs of children and youth is the nation's best investment in its future. Programs for children and youth--including health programs, education, and essential social and rehabilitation services--will repay the nation's investment in children many times over. Such programs should be viewed in terms of their value in minimizing and prevention of future disability and dependency. Prevention of disease, disability, and dependency is a good investment, a cost-effective investment, in simple economic terms.

- Programs to aid children and youth are not responsible for the inflation we are suffering, but they are among its chief victims. Inadequate levels of funding in previous years are still less adequate in a severe inflationary period. In addition--and quite apart from economic considerations--simple equity requires that we increase, and at the very minimum maintain, an adequate level of funding for programs designed to alleviate the special problems of children and youth, particularly the poor.

- Meeting the needs of children cannot await the end of inflation. Many lost opportunities to support healthy development cannot be recovered later but lead instead to permanently harmful effects. Attempts at the remediation of health, education, and other deficits are not only more costly but less effective than preventive care.

- The children of the poor, particularly minority group children, are at the highest risk both from inflation and from attempts to control inflation via reductions in funding for human resources. The poor have borne the burden of inflation disporportionately: They have suffered from even higher rates of inflation in their budgets than higher income families; they have fewer ways to cut their spending and fewer resources to fall back on. The children of the poor are already suffering and cannot be asked to endure still another reduction in the necessities of life--health care, education, nutrition, shelter, and essential services.

- Participants agreed that the HEW budget should not be cut, that present level of funding for human service programs must be increased simply to maintain the current level of support, and that increases in the HEW budget are extremely desirable in light of unmet human needs. Curtailment of the HEW budget in areas that affect children, the handicapped, the elderly and the poor are not likely to have an appreciable impact on cutting inflation. Budget cuts will cost far more in the long run than they save. Such cuts would in fact be counter productive. One riot by unemployed youth will cost far more than the employment of those same young people in municipal service jobs. Who can estimate the dollar and human costs of reduced day care services to working mothers who must go on welfare or of students who must give up educational plans, or of infants who are not adequately fed or of pregnant women who do not receive adequate prenatal care?

- The session participants expressed strong support for tax reforms and tax increases upon middle and higher income levels as the appropriate means of raising money to support health, education, and social service programs. A statement offered by one of the participants achieved general agreement on the nature of tax reforms: The elimination of reduced taxes on capital gains, of a ceiling on the social security tax base, of investment tax credits, of industrial subsidies, and of depletion allowances; the reduction of taxes for lower income people; and the enactment of excess profits tax on corporations.

- As inflation has reduced the effectiveness of Federal dollars in buying human services, so has it reduced the effects of private funding. Programs that depend upon private funding (e.g., the United Funds) are hurt by the lessening of their buying power. No relief is in sight.

- The participants expressed a general concern that the report of their session be transmitted in substance and in tone to the officials of HEW and to the President. It is very important to note that they were unwilling to agree to any budget cuts for HEW, and that they do not want their remarks to be construed in any way as support for any future Administration policy that includes retrenchments in human resources programs.

Comments by the Participants

In an open discussion of inflation and its effects on children, the participants presented their views candidly and with strong feeling for children and youth. No one was satisfied with the status quo and certainly not with any reduction in HEW services.

One speaker noted that children did not cause inflation. Oil prices, the Soviet wheat deal, high interest rates and record profits for corporations did. Children and youth are not in the labor force and must be protected from both the effects of inflation and its potential cures. There is a skewed impact of infaltion on low income families, in part because AFDC is not tied to increases in the cost of living and because the Consumer Price Index is tied to middle class consumption. The impact of inflation on poor families is far worse than the impact on the middle class. Planners for the economy must measure the potential benefits of rising interest rates and corporate profits against the losses for poor families and programs that serve human needs. Cuts in HEW programs leave children with no way to make up their losses. Foster home and adoption losses cannot be made up. Children have to have what they need when they need it. Therefore, those who set priorities in fighting inflation must take into account their impact on people, not just abstract economic indices.

Another participant spoke of health care. The United States has too many infant mortalities, especially among minority group members, too many handicapped people who could have been successfully treated as youngsters, too many chronic illnesses that go untreated. The working poor are hardest hit by inflation in health services. Preventive services are least available but most valuable in the health of children. There were 20,000 infant malformations due to rubella in 1964. To prevent their anomalies would have cost $50,000 in vaccine; to treat these handicapped children requires $140,000,000. Maternal and child health services are among the best investments the government can make in the future. Children are 40% of our population, 5% of our budget, and 100% of our future.

Services cannot be delivered to children alone. Children live in families who must be treated as a unit. Partial attacks on health care problems, one at a time, will not accomplish the goal of family health care, whether the problem is hypertension, sickle cell anemia, or birth defects. Family health care delivery must be reorganized, especially for low income families. The most comprehensive national health insurance plan will not eliminate the need for some categorical assistance because health care as presently constituted is not accessible to some portions of the population.

The elimination of abortion and abortion referral services from Medicaid was a recent disaster, according to another participant. Currently 220,000 to 250,000 abortions per year were paid by Medicaid. If all of these children were to receive assistance as they grew up, it would cost $450,000,000 to $500,000,000 per year in AFDC and other services.

Many participants reiterated the conclusion that children of the poor have suffered unequally. The poor have already made sacrifices; they should not be asked to assume further burdens from inflation or from cuts in the Federal budget. An increase in the unemployment rate of one per cent means 950,000 jobs. If the families of these workers are considered, 3 to 4 million people are affected by a slight rise in unemployment. The consequences of unemployment are not just monetary but psychological. Unemployment most affects marginal employees; i.e., the poor and potentially poor.

In New York State the average AFDC family is now 14% worse off than five years ago. In georgia, 10% worse off. The fact that AFDC income is not tied to the cost of living means that, nationwide, poor families have lost ground against inflation--ground that they can least afford to lose. Unemployment, which figures 5% to 6% nationally, is really 30% to 50% in urban ghetto areas and on Indian reservations. These are intolerable figures. One participant complimented HEW on the excellent background report it provided on income and inflation, a report that supports many of these points.

There was some feeling that progress toward human equality and justice has diminished in the past few years. Great Society programs have been eliminated and human needs given low priority. There seems to be no strong national commitment to serve children and youth. In fact, we have no national policy on children and youth. Many children born in urban slums or in Appalachian areas are undernourished from infancy; what have they to look to as the great promise of America? Does this Administration care enough to make children and youth a higher priority for the future?

In the education area, participants expressed great concern for the rising cost of education, especially in post-secondary schools. Students are indeed a low income group, hard hit by the current inflation. Not only are institutional costs rising, but extra-educational costs of housing, food, and gasoline affect students' ability to pay for an education, too.

Local school personnel were thought by one participant to provide the best input to the use of Federal funds in education: Federal educational funds should be redirected to communities that really need them, and a focus should be given by local people who know the educational needs of the community. Excellent teachers could be better retained in the most needy schools if merit incentives, in the form of travel and training as well as money, were available. Accountability should not be tied to student performance but to teacher excellence, a hard performance to measure. Additional recommendations were: Special urban grants to alleviate the special burdens due to a high concentration of low- and fixed-income families; career education that is responsive to real job opportunities; a 12-month school calendar that makes good use of the facilities; creation of new jobs in educational services to hire the unemployed; and the inclusion of local school and community people in all planning and implementation decisions.

Special concerns were voiced for Native Americans. The first Americans are always the last Americans to benefit from any prosperity. At the present time, Indians live in worse conditions than any other group. They simply cannot afford further neglect by the U.S. Government. Cuts in HEW programs would particularly affect the urgent welfare needs of Indians. Even small amounts of money for Indian education have had a significant impact on problems. This is not the time to sacrifice the small gains that have been made.

In the field of delinquency prevention, little money has actually been spent on youths who were not already identified as offenders. The previous Administration was reluctant to make any fiscal commitments to delinquency prevention although the crimes committed by persons less than 18 account for 22 percent of the crimes against people and property. Sixteen times more money is spent to stop delinquency than to prevent it. Some of the funds proposed to build two new juvenile facilities could well be spent on prevention, if we care about youth.

Poverty was identified as a major force in family disorganization and juvenile delinquency. The working poor are particularly vulnerable to the uncertainties of marginal employment and income. The devastating effects of inabilities to pay the rent and utilities are visited on the children, who must change schools and even family names to escape rent and utility delinquencies. The disruption of family life and schooling are directly related to the rate of delinquency among poor children and youth. School leaving is correlated with delinquency in poor neighborhoods where a delinquent subculture flourishes.

In conclusion, the group felt that the best economic policy would include a continued, even increased, commitment to spending for vulnerable groups, such as the poor, children and youth, the handicapped, and the elderly. These people simply cannot afford any reduction in services. Indeed, they need far more than they have. The effects of inflation have already placed an unequal share of the burden on them; they should not be asked to sacrifice anything more.

Resolutions offered

The following resolutions reflect the sense of the session. The members felt very strongly that to have an impact on the Administration they wanted to express a consensus on social policy. Their consensus is largely reflected in the following two resolutions. Although they were not voted formally, they express the sentiments voiced by many members. The first was written by a participant and read to the group.

" o We oppose cutting the Federal budget in areas of health, education, and welfare and do not believe that such cuts will solve the problem of inflation;

o The impact of inflation has had greater impact on the low-income disadvantaged than any others. Federal programs are needed to give additional help to these groups if there is to be true equality of sacrifice,

o The Federal budget should be brought into balance by long overdue tax reform programs to remove special tax shelters and loopholes--investment credit tax, capital gains, oil depletion, excess profit, and the elimination of a ceiling on the social security tax base,

o Interest rates must be brought down--especially for high priority needs--modest homes and public construction to meet human needs. If the U.S. can lend money to foreign countries under trade legislation at 6%, we can lend it to our own poor and middle income citizens and to our deteriorating cities,

o We oppose those government policies which will increase unemployment--tight money and budget cuts--since unemployment again throws the burden of sacrifice back to the working poor."

The second resolution, offered by 22 social organizations in attendance at the conference, was read to the assembled members of the entire conference in the morning session (see Part V). It was introduced as an expression of the consensus of the Impact Session on Children and Youth members.

- o We do not believe that we will solve inflation by cutting the Federal budget. Among the economists who met with the President early in September, there was broad agreement that the Federal budget is <u>not</u> "the engine of inflation."

- o The Federal budget must be considered jointly with State and local budgets. Since State and local budgets are in surplus there is no reasonable basis for reductions in Federal spending.

- o If the Federal budget is to be brought into balance, that should be done not through cuts in Federal expenditures, but by increasing Federal revenues through long overdue tax reforms by removing special tax shelters and closing other loopholes.

- o It should be recognized that the $305 billion budget of the current fiscal year ending June 30, 1975 has already been eroded by increased costs of goods and services. This amounts to a reduction of more than 10 percent in what our money can buy.

- o While we oppose cutting the Federal budget, that stand should not be taken to mean that we think every Federal program and every Federal outlay is sacrosanct. Certainly all programs need to be examined. Of one thing we are sure, however; under no circumstances should funds for human social services be reduced.

- o On monetary policy: high interest rates have hurt small business consumers, persons on fixed incomes and those seeking to buy homes. We strongly urge that banks be required to allocate a portion of their funds for investment in housing at reasonable rates of interest.

- o If government policy to combat inflation aggravates the unemployment situation and in the very near future fails to reverse inflationary trends we urge that: a broad public service program be instituted; that our unemployment compensation system be strengthened; and that social security, welfare, and other income maintenance programs be adjusted to take inflationary rates into account. Only through such accommodations can we avoid the "detrimental effects" of whatever steps we take to combat inflation.

V

RESOLUTIONS

September 19, 1974

Points of Agreement Among a Group of National Organizations
Participating in the Conference on Health,
Education, Income Security and Social Services

In responding to the issues set forth for consideration in the first invitation to the meeting with Mr. Weinberger, we find ourselves in agreement on these particular points:

1. We do not believe that we will solve inflation by cutting the federal budget. Among the economists who met with the President early in September, there was broad agreement that the federal budget is not "the engine of inflation."

2. The federal budget must be considered jointly with state and local budgets. Since state and local budgets are in surplus there is no reasonable basis for reductions in federal spending.

3. If the federal budget is to be brought into balance that should be done not through cuts in federal expenditures, but by increasing federal revenues through long overdue tax reforms by removing special tax shelters and closing other loopholes.

4. It should be recognized that the $305 billion budget of the current fiscal year ending June 30, 1975 has already been eroded by increased costs of goods and services. This amounts to a reduction of more than 10 per cent in what our money can buy.

5. While we oppose cutting the federal budget, that stand should not be taken to mean that we think every federal program and every federal outlay is sacrosanct. Certainly all programs need to be examined. Of one thing we are sure, however; under no circumstances should funds for human social services be reduced.

6. On monetary policy; high interest rates have hurt small business consumers, persons on fixed incomes and those seeking to buy homes. We strongly urge that banks be required to allocate a portion of their funds for investment in housing at reasonable rates of interest.

7. If government policy to combat inflation aggravates the unemployment situation and in the very near future fails to reverse inflationary trends we urge that: a broad public service program be instituted; that our unemployment compensation system be strengthened; and that social security, welfare, and other income maintenance programs be adjusted to take inflationary rates into account. Only through such accomodations can we avoid the "detrimental effects" of whatever steps we take to combat inflation.

This statement represents a consensus among representatives of the following organizations:

AFL-CIO
American Association of Homes for the Aging
American Federation of Teachers, AFL-CIO
Anti-Defamation League of B'nai B'rith
Center for Community Change
Child Welfare League
Industrial Union Department, AFL-CIO
League of Women Voters of the United States
NAACP
National Association of Social Workers
National Council of Churches - Department of Social Justice
National Conference of Catholic Charities
National Council of Jewish Women
National Student Lobby
National Urban League
National Conference on Social Welfare
National Education Association
National Association of Neighborhood Health Centers
National Council of Senior Citizens
NWRO
SCLC
Pacific/Asian Coalition
Americans for Indian Opportunity
National Organization for Women (NOW)
National Council of Organizations for Children & Youth
also
Wilbur Cohen, President-Elect, American Public Welfare Association

for further information:
Marvin Caplan, Director, Washington office
Leadership Conference on Civil Rights

phone: 667-1780; 393-5581

STATEMENT PREPARED BY ROGER HEYNS PRESIDENT OF THE AMERICAN COUNCIL OF EDUCATION VOTED BY EDUCATION CONFEREES*

This meeting occurs in the context of a national debate about inflation. Indeed it is a part of a formal process that terminates in a summit meeting at which various segments of the society will present its analysis and its views. It seems important that we state clearly (a) the impact of inflation on our enterprises, (b) our contribution to the inflationary spiral, and (c) our unique role in any program of inflationary control.

No one here doubts that our well being is dependent on the health and growth of the economy. If it prospers we will prosper (although not, in the opinion of some of us, proportionately). Therefore, we are disposed to be sympathetic and cooperative to soundly conceived economic programs that are directed toward this end. We are very concerned, however, with equity, particularly in the new terms: That the impact of remedies be spread evenly and fairly distributed; and where this is not achievable, that there be compensatory programs to correct for these inequities.

In the long-term, we are apprehensive, that the immediate impact not inflict permanent harm on activities that are essential for our national long-run health.

The groups at the Pre-summit Conference are unique in several respects:

1. They are not important sources of inflationary pressures.

2. Their activities are not susceptible to cost reductions of the magnitude that will impact heavily on remedial efforts, although we share with all segments the obligation to be concerned about costs and productivity.

3. Our indirect role in the total program of anti-inflationary measures is substantial.

   A. Our collective activities in the long-term are anti-inflationary and deserve increased support and not reduction:

      - Trained human resources
      - Reduction of social costs
      - Increased technology

   B. Our short term involvement is that of countering the inequities in the impact of inflation and anticipated inequities in the impact of inflation. In the anti-inflationary effort, the young, the aged, the handicapped, the poor have been and will be the major victims. Given our recent history of social instability and the current distrust of government, no thoughtful person can be

* NEA dissent recorded.

complacent about the social unrest, and its attendant costs that are predictable, if these inequities are not recognized and remedies incorporated in the overall plan.

It is not incumbent on us to come with economic solutions. I am not troubled by the fact that we haven't gotten a consensus about them.

We do have the responsibility to:

A. Sensitize the decision-makers about the serious consequences of gross application of large solutions and--here we are unique--to challenge the current dogma:

(1) Immediate need for a balanced Federal budget or cut out a significant area of decision-making about wages, profits, etc., that need attention; and

(2) Tight money.

B. Reintroduce into the array of options such concepts as (1) increase taxes (2) wage and price control.

This reintroduction is not because we are convinced of the merits but because we are concerned with the rigidity of the current problem-solving process.

In summary, like all other groups that will be reporting, we are victims of inflation--only more so. Unlike other groups we are not directly casual, nor are we directly significant in remedial programs. We are uniquely significant in being the key mechanism for achievement of equity.

Because of the heritage of most of us, we are uncomfortable if we appear to be an indistinguishable entity in a large number of self-interest groups, all of whom are innocent and all of whom need help, all of whom argue that helping them will solve the problem, and all of whom want the remedies to apply particularly to others.

Yet, I think their appearance is virtually impossible to alter, even though we have tried to differentiate ourselves, and I think convincingly, and we should accept it. The total resolution is going to be eclectric, and will reflect economic, social, and political considerations. If wisdom and equity come out of this, it will only be if we make our claims with intelligence and vigor.

Prepared by: Roger Heyns

RESOLUTION 3

September 19, 1974

POINTS OF AGREEMENT AMONG A GROUP OF NATIONAL ORGANIZATIONS PARTICIPATING IN THE CONFERENCE ON HEALTH, EDUCATION, INCOME SECURITY AND SOCIAL SERVICES

In responding to the issues set forth for consideration in the first invitation to the meeting with Mr. Weinberger, we find ourselves in agreement on these particular points:

- We do not believe that we will solve inflation by cutting the Federal budget. Among the economists who met with the President early in September, there was broad agreement that the Federal budget is <u>not</u> "the engine of inflation."
- The Federal budget must be considered jointly with State and local budgets. Since State and local budgets are in surplus there is no reasonable basis for reductions in Federal spending.
- If the Federal budget is to be brought into balance that should be done not through cuts in Federal expenditures, but by increasing Federal revenues through long overdue tax reforms by removing special tax shelters and closing other loopholes.
- It should be recognized that the $305 billion budget of the current fiscal year ending June 30, 1975 has already been eroded by increased costs of goods and services. This amounts to a reduction of more than 10 per cent in what our money can buy.
- While we oppose cutting the Federal budget, that stand should not be taken to mean that we think every Federal program and every Federal outlay is sacrosanct. Certainly all programs need to be examined. Of one thing we are sure, however: under no circumstances should funds for human social services be reduced.

- On monetary policy: high interest rates have hurt small business consumers, persons on fixed incomes and those seeking to buy homes. We strongly urge that banks be required to allocate a portion of their funds for investment in housing at reasonable rates of interest.
- If government policy to combat inflation aggravates the unemployment situation and in the very near future fails to reverse inflationary trends we urge that: a broad public service program be instituted; that our unemployment compensation system be strengthened; and that social security, welfare, and other income maintenance programs be adjusted to take inflationary rates into account. Only through such accommodations can we avoid the "detrimental effects" of whatever steps we take to combat inflation. This statement represents a consensus among representatives of the following organizations:

AFL-CIO
Americans for Indian Opportunity
American Association of Homes for the Aging
American Federation of Teachers (AFL-CIO)
Anti-Defamation League of B'nai B'rith
Center for Community Change
Child Welfare League of America, Inc.
Industrial Union Department, AFL-CIO
League of Women Voters of the U.S.
NAACP
National Association of Social Workers
National Council of Churses - Department of Social Justice
National Conference of Catholic Charities
National Council of Jewish Women
National Council of Senior Citizens
National Conference on Social Welfare
National Education Association

(More)

National Student Lobby
National Urban League
National Welfare Rights Organization
Southern Christian Leadership Conference
Pacific/Asian Coalition
Wilbur Cohen, President-Elect, American Public Welfare Association
Judith Helms, Executive Director, National Council of Organizations for Children and Youth

September 20, 1974

RESOLUTION

No evidence was presented at the Conference that Federal spending levels have been one of the major causes of high inflation over the past 18 months. Rather, the inadequacy of Federal health, education, and welfare expenditures have resulted in a deterioration of services to the poor and low-income groups, which is unjustified at any time and particularly undesirable during a period of rapid inflation.

Poor and low-income persons are already making the major sacrifices in the present inflationary period. Thus, it is essential that funds for human services programs for poor and low-income persons be substantially increased.

Any increase in the already too high unemployment rate is a completely unacceptable approach to meeting the current inflationary period.

We believe these objectives can be achieved without addint to inflation by an increase in Federal revenues to be accomplished through major tax reform and through tax increases based on ability to pay.

* * *

(SIGNATORIES -- OVER)

NOTE: On September 20, 1974, the individuals listed indicated willingness to have their names associated with the above resolution, shorter than the one on page 67. Organizations or persons which signed the longer statement (p. 67) are not repeated here.

Bert Seidman, Director, Social Security Department, AFL-CIO
Virginia M. Paulson, American Nurses Association
George Hardy, Int.l Pres., Service Employees Intl. Union (AFL-CIO)
V.E. Reinhardt, Economist, Princeton University
Solomon Harge, Director, Consumer Protection Assoc. of Cleveland, Ohio
Ewald W. Bussc, M.C., American Geriatric Society
Ethel Shanas, Gerontological Society
Barney Sellers, National Health Council
Leda R. Judd, National Urban Coalition
Tino Calabia, Asian American Caucus of Greater New York
Gov. Robert E. Lewis, Pueblo of Zuni, New Mexico
Rhoda H. Karpatkin, Consumers Union of U.S., Inc.
Elizabeth M. Boggs, as conferee
Ellen Zawel, National Consumers Congress
John S. Prickett, Jr., as conferee (only)
Jose A. Alvarez-de Choudene, M.C., Secretary of Health, Commonwealth of Puerto Rico
Frederick S. Jaffe, Vice President, Planned Parenthood Federation
Sr. Grace Marie Heltz, Ch. Board of Trustees, Catholic Hospital Association
Mel Tonasket, President, National Congress of American Indians
Robert M. Gettings, National Association of Coordinators of State Programs for the Mentally Retarded
Louise B. Gerrard, National Association of State Units on Aging (Personal and not necessarily organizational endorsement)
Paul R. Nelsen, Chairman, National Council of Local Welfare Administrators, Administrators (APWA)
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Inabel B. Lindsay, National Council on Aging
Vernal G. Cave, M.D. National Medical Association
David R. Williamson, Executive Director, National Paraplegic Foundation
Aldred D. Sumberg, Associate Secretary, American Association of University Professors
Daniel Ringelheim, New Jersey
Arnold R. Mickelson (no organization listed)
Walter L. Smart, National Federation of Settlements & Neighborhood Centers
Charles B. Wood, (signing personally)
Vivian W. Henderson (no organization listed)
Charles Bensom (no organization listed)
Dr. Will Antell, Chairman, National Advisory Council on Indian Education
Mrs. Rosa G. Inclan (personal), Chairman, National Advisory Council on Bilingual Education
John P. Condon, President, National Alliance of Businessmen
Karen DeCrow, President, National Organization of Women (signing personally)
Thorold S. Funk (personal position)
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Charline J. Birkins, President, American Public Welfare Association
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APPENDICES

Appendix 1

THE CONFERENCE ON INFLATION ON HEALTH, EDUCATION, INCOME SECURITY AND SOCIAL SERVICES

AGENDA

SEPTEMBER 19

TIME	EVENT
7:45 - 8:30 a.m. Auditorium	Registration - HEW North Building
8:30 - 9:00 a.m. Auditorium	Welcome Conference Objectives Organization of the Day
9:00 - 10:00 a.m. Auditorium	Overview of Economic Issues Economic Outlook Federal Budget
10:30 - 11:30 a.m.	Sector Overviews
5051 HEW North Building	I - Health
1134 FOB 6	II - Education
Auditorium	III - Income Security and Social Services
11:30 - 12:30 p.m.	Lunch (HEW cafeteria service available)
12:30 - UNTIL	The Impact of Inflation
5051 HEW North Building Auditorium	Panel - Elderly Panel - Poor (e.g., Migrants, Indians, Minorities)
4131-37 HEW North Building	Panel - Handicapped/Disabled
3131-37 HEW North Building	Panel - Children/Youth
3:30 - 5:30 p.m.	Sub-Sector Meetings
1131-37 HEW North Building	I - Health: Panel A
5169 HEW North Building	Panel B
1409 FB 8	Panel C
3000 FOB 6	II - Education: Panel A
1134 FOB 6	Panel B

AGENDA

SEPTEMBER 19 (continued)

TIME	EVENT
	III - Income Security and Social Services:
1331 HEW South Building	Panel A
1319 HEW South Building	Panel B
3065 HEW South Building	Panel C
6:00 - 7:30 p.m.	Reception (Cash Bar)

SEPTEMBER 20

8:30 - 10:30 a.m.	Sub-Sector Meetings
1131-37 HEW North Building	I - Health: Panel A
5169 HEW North Building	Panel B
1409 FB 8	Panel C
3000 FOB 6	II - Education: Panel A
1134 FOB 6	Panel B
	III - Income Security and Social Services:
1331 HEW South Building	Panel A
1319 HEW South Building	Panel B
3065 HEW South Building	Panel C
11:00 - NOON	Sector Summary Sessions
5051 HEW North Building	I - Health
1134 FOB 6	II - Education
Auditorium	III - Income Security and Social Services

LIST OF PARTICIPANTS

THE CONFERENCE ON INFLATION

on

HEALTH, EDUCATION, INCOME SECURITY, AND SOCIAL SERVICES

September 19 and 20, 1974

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Charles McC. Mathias, Jr.	Senator, Maryland
Warren G. Magnuson	Senator, Washington
Robert T. Stafford	Senator, Vermont

Samuel L. Devine	Representative, Ohio
Carl D. Perkins	Representative, Kentucky
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Albert H. Quie	Representative, Minnesota

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NOTE: Sufficient time was not available to verify the listing as much as would have been desirable. Any corrections will be made for the Final Report.

J

The Transportation Industry Conference on Inflation

Summary

September 19-20, 1974
Los Angeles, California

TABLE OF CONTENTS

NARRATIVE SUMMARY

The Transportation Industry Conference on Inflation was held in Los Angeles on September 19-20, 1974, and attended by 70 key representatives of transportation management, labor and users. This conference produced significant consensus, together with some diversity of views, on a broad range of topics. Three major themes emerged. First, there was widespread recognition that transportation's major long-term contribution to fighting inflation is in achieving greater productivity. Second, and related to the first, particular attention should be directed to ensuring that governmental regulation of transportation does not stand in the way of the goal of economic efficiency or fail reasonable cost-benefit tests. Third, the great interdependence between the energy sector and the transportation sector emphasizes the importance of energy conservation and lower energy prices as national goals in the overall fight against inflation.

In addition, many participants expressed the belief that a successful battle against inflation will require a national sense of commitment and urgency. It will require restraint and cooperation by individuals, government, management and labor. It will also require an equitable distribution of the necessary sacrifices now so that all may share in the benefits of relative price stability in the future.

* * * *

There was general agreement that the Government should make every effort to reduce its own spending. Although some participants objected to precise expenditure targets, most favored holding Federal expenditures in fiscal 1975 to $300 billion. A number of participants expressed the view that any reductions in Federal spending should not be made at the expense of low-income, elderly and other disadvantaged elements of the society.

Most participants favored a balanced Federal budget as soon as possible, and some suggested that balanced budgets or budget surpluses should be sought for the next several years. Some argued that a balanced budget would serve as a useful symbol of the Government's determination to fight inflation and would also reduce interest rates through lower demand for capital.

There was universal agreement that increased productivity in the provision of transportation services is the key contribution that transportation can make to help combat inflation. However, there was no consensus as to how the benefits of such productivity increases should be distributed among management, labor and transportation users.

Widespread concern was expressed about the effects of economic regulation by all levels of government, although there were some dissenting opinions on this point. A number of participants recommended measures to increase competition and reliance on market forces in the transportation industry, including the pending Surface Transportation Act and more effective enforcement of anti-trust legislation. Several participants pointed to the problem of regulatory lags in obtaining rate increases to cover the rising costs of labor, energy, supplies and other inputs. Some speakers advocated measures to improve intermodal flexibility and coordination in order to realize the inherent advantages of every mode. Some participants recommended the adoption of regulatory measures to discourage private carriage of goods so as to permit common carriers to benefit from economies of scale in transporting larger volumes. Several speakers proposed that regulatory policy should allow a higher rate of return in order to permit more internal generation of funds for investment.

Strong feelings were expressed that energy conservation needs to be reemphasized as a national goal and that, indeed, a national conservation ethic is required across the board. Many participants suggested ways of reducing transportation energy consumption. A number of participants endorsed the goals of Project Independence in order to reduce reliance on foreign energy sources and to reduce fuel prices. Others supported R&D efforts to develop new sources of energy. All in all, energy loomed very large in the minds of the participants as a key element affecting inflation in the transportation industries.

There was nearly universal agreement that national monetary policy should be eased to lower interest rates. Many participants emphasized the particular sensitivity of the capital-intensive transportation industries to the current high rates of interest. Some participants pointed to the particular problems of financing transportation construction occasioned by high interest rates. Some mentioned that the current housing downturn has adversely affected transportation by reducing the demand for the transport of materials and supplies.

There was general agreement in favor of tax incentives to encourage greater capital investment in transportation. Some participants advocated reductions in the excise taxes which particular modes now pay, arguing that such a course would contribute to the fight against inflation. Some spokesmen for the common carriers advocated tax increases on private carriage. Other participants asserted that there should be more uniformity and consistency in Federal tax treatment among the modes. There was no consensus on changes in the Federal gasoline tax, a few participants calling for increases and a few for decreases.

There was general agreement that environmental protection requirements should be reexamined to determine whether their benefits are worth their costs. Some participants noted that these requirements, while extremely costly, do not increase output. Other participants called for a similar review of governmental regulations concerning transportation safety, noise, occupational safety and health, labor and fuel allocation.

Several participants suggested that the Government should be required to prepare inflation impact statements or benefit/cost analyses for contemplated new legislation or regulations in order to direct explicit attention to wage, price and productivity effects. They asserted that many governmental actions tend to be inflationary by raising costs relatively more than output.

Regarding priority preferences among governmental programs, there were a number of views expressed. Some participants favored reductions in Federal subsidies to their competitors in other modes. Others argued that Federal capital grants, loan guarantees or other assistance to their own mode would be anti-inflationary in the longer term, inasmuch as they saw such assistance making their own mode more efficient or desirable in terms of overall costs, energy, pollution, land utilization or congestion.

There was no consensus in favor of major changes in current levels of Federal taxation. Some participants advocated tax incentives to encourage capital investment in transportation. Others favored more progressive Federal income taxation. Still others proposed tax exemptions for interest earnings in order to promote savings and investment. A few speakers advocated excess profit taxes.

Regarding international arrangements, a number of participants called for greater governmental efforts to reduce discriminatory practices of foreign governments. Differential airline landing fees were one example mentioned. Some participants indicated that recent commodity sales to foreign countries have increased domestic price levels. Some recommended removal of tax shelters for multi-national corporations.

Concerning personal consumption patterns, several participants called for measures to help redirect travel demand to the modes they represent on the ground that they are more efficient in terms of overall costs, energy consumption, environmental pollution or congestion. Other speakers advocated better information on transportation markets, services and prices.

Mandatory wage and price controls were unanimously rejected. Labor participants contended that the recent controls constrained wage increases far more effectively than price increases, thereby contributing to a decrease in the average real incomes of workers. Management participants pointed out that price controls had worked to distort traditional marketplace relationships involving transportation inputs and services. While opposing mandatory controls, a number of participants favored voluntary restraint by management and labor in wage settlements and in price determinations. A few participants advocated governmental monitoring of industry's wage and price decisions.

With regard to hardships and inequities, a large number of participants pointed to the great impact that increased prices and decreased availability of fuel have had on the transportation sector in recent months. Many participants called for government action to reduce fuel prices and to give priority to transportation in the allocation of fuel supplies.

Some of the participants recommended that public policy should endeavor to keep public transportation passenger fares down in order both to assist the disadvantaged and to help shift travel from the private auto to more efficient and environmentally desirable public modes, most notably including urban mass transit.

Referring to shortages of particular materials, supplies and equipment, some participants suggested that the Federal Government should allocate scarce items to high-priority users, the transportation modes in particular.

Among the other suggestions, some participants called for Federal assistance in providing or guaranteeing needed capital, and some advocated operating assistance to their mode as well. Others indicated their support for pending legislation to increase the weight and size of trucks permitted on Interstate highways. Still others recommended Federal action to ensure rapid implementation of no-fault auto insurance plans. There was no consensus on the 55 m. p. h. speed limit, some participants proposing whole or partial exemptions for trucks or buses, but others favoring retention of this provision. Some participants argued that if anti-inflationary measures result in increased unemployment, the Federal Government should provide public service employment on public works and adopt other measures to reduce hardships on low-wage workers and to maintain purchasing power. Several participants called for the restatement of national transportation policy--in conjunction with a national growth policy--to enable each mode of transportation to play its most appropriate role. Finally, some sentiment was expressed in favor of some kind of continuing consultative or advisory mechanism to enable the transportation sector and the government to exchange views and seek consensus and commitment on ways of fighting inflation.

TRANSPORTATION INDUSTRY CONFERENCE ON INFLATION

Los Angeles Hilton Hotel *September 19 - 20, 1974*

PROGRAM

SEPTEMBER 19

6:00 P.M.	—	REGISTRATION
7:00 P.M. (Garden Room East)	—	NO-HOST RECEPTION
8:00 P.M. (Garden Room West)	—	NO-HOST DINNER
9:00 P.M.	—	PRESENTATIONS BY THE COUNCIL OF ECONOMIC ADVISERS AND THE OFFICE OF MANAGEMENT AND BUDGET ■ An Overview of Inflation in the Economy and in the Transportation Industries ■ Current Governmental Policies to Moderate Inflation

SEPTEMBER 20

8:30 A.M. (Golden State Room)	—	WELCOMING REMARKS BY SECRETARY BRINEGAR
8:45 A.M.	—	FORMAL STATEMENTS BY PARTICIPANTS
10:30 A.M. (Los Angeles Room)	—	COFFEE
10:45 A.M. (Golden State Room)	—	RESUMPTION OF FORMAL STATEMENTS
11:30 A.M.	—	STATEMENTS BY CHAIRMEN OF REGULATORY AGENCIES
12:00 Noon (Rooms to be Assigned)	—	SMALL DISCUSSION GROUPS – WORKING LUNCHEON MEETINGS FOR PARTICIPANTS
2:15 P.M. (Golden State Room)	—	REPORTS BY DISCUSSION GROUP LEADERS
3:15 P.M.	—	ADDITIONAL STATEMENTS BY PARTICIPANTS AND PUBLIC
5:00 P.M.	—	SUMMARY STATEMENTS
5:30 P.M.	—	CONCLUDING REMARKS BY SECRETARY BRINEGAR

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3. Alan Cranston (D-California)

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  2. John D. Dingell (D-Michigan)
  3. Don H. Clausen (R-California)
  4. Victor V. Veysey (R-California)
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1. Secretary Claude S. Brinegar
2. Assistant Secretary Robert Henri Binder
3. Assistant Secretary Benjamin O. Davis, Jr.
4. Acting Assistant Secretary John W. Snow
5. Administrator Alexander P. Butterfield
6. Administrator John W. Ingram
7. Administrator James B. Gregory
8. Administrator David W. Oberlin
9. Executive Director Lester P. Lamm
10. Secretarial Representative Lawrence H. Dunn
11. Office Director RADM Robert I. Price