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# TO CONSIDER AN ALTERNATIVE TO TITLE I OF S. 575 AS PASSED BY THE HOUSE OF REPRESENTATIVES

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## HEARING

BEFORE THE

COMMITTEE ON PUBLIC WORKS

UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST SESSION

MAY 12, 1971

SERIAL NO. 92-H20



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TO CONSIDER AN ALTERNATIVE TO TITLE I OF S. 575  
AS PASSED BY THE HOUSE OF REPRESENTATIVES

WEDNESDAY, MAY 12, 1971

U.S. SENATE,  
COMMITTEE ON PUBLIC WORKS,  
*Washington, D.C.*

The committee met, pursuant to notice, at 9:40 a.m., in room 318, New Senate Office Building, Senator Jennings Randolph (chairman of the committee) presiding.

Present: Senators Randolph, Muskie, Montoya, Tunney, Bentsen, Cooper, Baker, Buckley, Weicker, and Dole.

Also present: Richard B. Royce, chief clerk and staff director; M. Barry Meyer, counsel; Philip T. Cummings and John W. Yago, professional staff members; Bailey Guard, minority staff director; Richard E. Herod and Judy Parente, professional staff members, minority.

The CHAIRMAN. Good morning, ladies and gentlemen.

The Committee on Public Works is conducting this hearing under unusual circumstances.

The legislative proposal under consideration is not a bill that was introduced and referred to this committee. It is, instead, a response being considered by the committee for presentation in a Senate-House conference on S. 575.

Title I of S. 575 as passed by the House of Representatives contains authority to reactivate the Public Works Acceleration Act of 1962. When considered in the Senate, S. 575 was primarily a continuation of the Appalachian Regional Development Act of 1965. We amended the bill on the floor to provide for a 1-year extension of the Public Works and Economic Development Act of 1965 which is due to expire on June 30 of this year.

We did this to permit the orderly preparation of legislation for a comprehensive new economic development program for the entire United States, not just an area like Appalachia, and so it could be considered free from the pressures that would be inherent in the June 30 expiration date.

The Public Works Acceleration Act was added to the Senate bill in the House. It represents a subject area that we have not yet considered in our committee. We felt this title addressed itself to problems for which solutions would be sought through new legislation that we hope to develop.

We have therefore drafted a more comprehensive proposal which we will ask the House conference to accept in lieu of title I.

Our committee would have preferred not to hold a hearing on this alternate proposal. The fact is that such important legislation and our consideration of it on a separate basis in the Senate made it something we were reluctant to bring into focus but we had to proceed as we are today within our committee structure to public discussion. This proposal would permit the President, at the request of the Governor, to designate economic disaster areas where there has been a sudden rise in unemployment, like in Seattle, where unemployment has reached a specified level. The President would then appoint a Federal coordinating officer for each designated area and that officer would coordinate the activities of all Federal agencies involved.

In consultation with State and local officials, that officer would determine which projects would be funded, decisions to be based on the number of jobs that the projects would provide.

Under the proposal communities could receive grants for the construction of public facilities if those facilities provided jobs necessary to support economic recovery. Federal funds would be available up to 80 percent of the cost of the project or 100 percent in communities where the local resources had been exhausted.

Grants or loans would be available to private nonprofit organizations for job creating or maintenance activities. Loan guarantees would be available to profitmaking groups. The proposal would provide assistance to continue unemployment compensation for those not otherwise available for payments or those who exhausted their eligibility.

Rent or mortgage payments would be provided for up to 1 year for unemployed individuals facing eviction or dispossession of their property. In lieu of these two types of aid, unemployed persons could obtain loans up to 80 percent of their previous income of \$1,000 a month for up to a year. A repayment schedule would be similar to that for National Defense Education Act loans.

These are the major provisions of the committee's proposal and I hope they will receive very careful consideration. The witnesses who will testify have had considerable experience with economic disasters and the existing mechanisms with which we cope with them. Included is a very able U.S. Senator who was a member of our committee, Senator Spong, who is with us today. There also is to be given the thinking of an independent economist and we have others that by statement will include their thinking.

These presentations will be helpful to all of us who are attempting in our committee to be constructive and to proceed with what we hope is not a delaying action but a desire to do a complete and thorough job.

We are gratified to have Senators Magnuson and Jackson with us today. Following their introduction of the Governor and before he testifies, we are going to give Senator Spong the opportunity to present his testimony. I know, Senator Magnuson and Senator Jackson, you have commitments and we want to accommodate you with the presentation of your Governor. We appreciate his understanding of the situation.

Senator Jackson.

Senator JACKSON. Mr. Chairman, could the record be broken so that Senator Spong's testimony is first and then we follow.

results of the economic policies that call for higher unemployment as an answer to inflation. I disclaim that theory. These policies and the recent termination of the SST program have made Washington State the hardest hit and most depressed area in the Nation. The citizens of my State are waiting to see what action Congress will take to reduce the level of unemployment, decrease the number of bankruptcies and home foreclosures, and most importantly to lead this Nation toward economic recovery.

So I am pleased that the committee has asked the Governor to relate the need for additional legislation and he certainly has been in a position to see the extent of this need in the State.

I would like to place in the record the introductory remarks I made on S. 1779 when that measure was introduced by Senator Jackson and myself.

The Chairman. Yes, that will be done.

Senator MAGNUSON. Thank you.

(Senator Magnuson's remarks follow:)

[From the Congressional Record, May 5, 1971]

STATEMENT OF SENATOR MAGNUSON

Mr. President, today I join my colleague from Washington in sponsoring the Economic Disaster Area Relief Act of 1971. This measure answers the dire need in certain areas of the country for special aid and assistance when economic conditions create the severest kinds of human dislocation.

This measure also recognizes the blunt fact that federal decision making can and does randomly, harshly, and unfairly affect certain communities in the United States. The Seattle/King County area in Washington State is experiencing additional economic hardships because of the recent decision to cancel the SST program. This decision, compiled with the general downturn in the economy, has placed this area at the very top of the Nation's unemployment statistics with an adjusted rate of 13.1% unemployed. These figures are all based on "insured unemployment" and do not indicate how many others in this area are not covered by unemployment compensation or have given up their search for new employment. These figures, also, do not reflect "underemployment" which is an economic fact of life in Seattle/King County area. Engineers, scientists and skilled aerospace workers are taking whatever job is available in order to support their families. This certainly is a tragic waste of educational capability, scientific background and actual work experience.

This measure creates in the Office of the President a special office which will give leadership and hope to communities suffering severe economic dislocation; this legislation also provides a 2 billion dollar pool of funds from which the President can draw in order to finance emergency federal assistance to communities with disastrous economic problems.

Mr. President, the Senate Public Works Committee recently held hearings in Seattle and other parts of the nation in order to get a better understanding of the existing situation and to see if legislative action is needed. I have been informed that the committee is considering emergency legislation similar to that which is being introduced today by Senator Jackson and myself. I applaud this effort and pledge my wholehearted support to the Public Works Committee in seeking a legislative solution to this great problem. This bill being introduced today, is, in my judgment, timely, and presents the Committee with a potential amendment to the Accelerated Public Works legislation (H.R. 5376) recently passed by the House which is now pending before the Senate Public Works Committee.

Mr. President, my statement before the Senate Public Works Committee in Seattle, follows.

The CHAIRMAN. Senator Jackson.

The CHAIRMAN. It will appear following the testimony of the Governor. Thank you.

Senator Magnuson.

**STATEMENT OF HON. WARREN G. MAGNUSON, A U.S. SENATOR  
FROM THE STATE OF WASHINGTON**

Senator MAGNUSON. Mr. Chairman, we appreciate the opportunity to appear again and to present to the committee Governor Evans of our State. He testified at the Seattle hearings and he has probably a great deal more to say about the opportunity to use public works as a means to help the unemployment situation. I was very pleased, and I am sure all three of us were, that the committee has recognized the extremely serious economic conditions facing our State and has again asked the Governor to appear.

As the Chairman knows, and the committee, Senator Jackson and I introduced legislation—S. 1779—on May 5, 1971, to establish an emergency Federal economic assistance program, to authorize the President to declare areas of the Nation with serious economic and employment problems to be economic disaster areas. The bill, S. 1779, if enacted, would also establish a \$2 billion Federal economic recovery fund to provide direct recovery assistance. This fund will be administered by the Office of Economic Aid to depressed areas, a new office created by S. 1779 in the Executive Office of the President. The chairman made reference to this bill.

Senator Jackson and I wrote a letter to you, Mr. Chairman, on May 6, 1971, which indicates our desire to have our measure considered as separate legislation and not as a substitute for title I of the House-passed Public Works Acceleration Act—H.R. 5376.

I personally believe that the Senate should pass both H.R. 5376 and S. 1779 because of the serious economic problems facing the Nation. The economic difficulties facing Washington State requires both an accelerated public works program and legislation that provides special assistance to areas of the Nation suffering from the severest economic problems.

Governor Evans wrote in a letter to Senator Montoya, chairman of the Economic Development Subcommittee, recommending that we have both an accelerated public works program allocating funds to the States with the severest economic problems and also an economic disaster program. Our State needs both programs as the Governor will so testify and we should not sacrifice one for the other. I think they should proceed on a parallel path.

I understand that the committee is considering the possibility of a substitute for title I of the House-passed bill. The Public Works Committee is trying to find the best possible combination of economic programs to answer the Nation's needs. I am very sensitive to this need as is Senator Jackson and the Governor because our State unemployment rate is nearing 15 percent—the highest in the lower 48 States. Alaska now has the dubious distinction of being the highest and we are very concerned about that problem.

Every day I read constituent letters and newspaper stories indicating the extent of the human suffering that is being experienced in Washington State. We think Congress must act now to reverse the

**STATEMENT OF HON. HENRY M. JACKSON, A U.S. SENATOR FROM  
THE STATE OF WASHINGTON**

Senator JACKSON. Mr. Chairman, I will be very brief. First I want to associate myself with the remarks made by Senator Magnuson. We are both delighted to be here to present our Governor to the committee. He can relate firsthand the problems that are facing our State. Mr. Chairman, I want to express my appreciation to the chairman of your subcommittee, Senator Montoya, and the ranking Republican member of the committee, Senator Baker, for the excellent hearings they held in Seattle. The Governor testified at that hearing, and there is no need to duplicate his testimony. Members of the subcommittee are completely familiar with the employment and economic problems facing our State.

Mr. Chairman, with the committee's permission I would like my entire statement to appear in the record together with an explanation of the bill, S. 1832, the Economic Disaster Area Relief Act of 1971, Senator Magnuson and I introduced yesterday. This bill was previously introduced as an amendment to the measure now in conference committee. It is of course, up to the committee to decide how to handle the substantive matters which are raised in connection with the Economic Disaster Area Relief Act of 1971.

The sole purpose of the Economic Disaster Area Relief Act is to give to the President of the United States the necessary flexibility to bring together all of the Federal agencies in a given region where there is an economic disaster and to utilize the resources there in the most advantageous way. In some areas certain agencies can play a greater role than others in relieving an economic disaster. Their efforts will be funded with a \$2 billion authorization for Federal economic recovery assistance. This act is patterned after the Disaster Relief Act which has been in effect for many years. Certainly the human distress caused by economic disaster is equal to that resulting from natural disasters such as floods or fires.

I think that the concept of economic disaster relief affords a unique opportunity to move with flexibility in those areas which have special problems. For example, some communities might want to take advantage of model cities programs or mass transit development—whatever will maximize the opportunity for employment and develop solutions for problems within that region. The President would begin utilization of an area by designating a regional coordinator for the area decreed to be a disaster area.

Mr. Chairman, I ask permission that a summary of the bill in narrative form be included with my statement. Again I want to express our deep appreciation for your generosity and courtesy and the special effort that you made to bring your subcommittee to the Northwest and also for holding this hearing today.

(The statement and summary follow:)

**STATEMENT OF HON. HENRY M. JACKSON, A U.S. SENATOR FROM THE STATE OF  
WASHINGTON**

Mr. Chairman, I want to thank you and the members of the Public Works Committee for this opportunity to appear before the Committee.

As members of the Committee are aware, the senior Senator from Washington (Mr. Magnuson) and I have introduced a comprehensive and far-reaching "Economic Disaster Area Relief Act of 1971." This measure was introduced on May 5 as S. 1779 in the form of an amendment to the Economic Development Act of 1965. On May 11, the bill was reintroduced as a separate measure to establish a separate and distinct program of economic assistance. Both of these measures have been referred to this Committee.

The purpose of the Economic Disaster Area Relief Act is to authorize the President of the United States to declare areas of the Nation which meet certain economic and employment criteria to be Economic Disaster Areas and to extend a meaningful program of Federal assistance to the people who live in these areas.

Hundreds of regions of the country are currently experiencing critical economic downturns and millions of able-bodied American working men and women are out of work. They are the victims of a man-made disaster over which they had no control and which has had a more devastating economic impact on the people of this country than any natural disaster we have ever endured.

Mr. Chairman, we are all familiar with the tragic statistics which document the rising unemployment and the spreading economic decline. The statistics bear grim testament to the need for prompt and bold action to get this Nation's economy moving again and to put people back to work.

But the statistics and the impersonal story they tell do not convey the real price the country has paid for the economic policies of the past two years.

The full story includes a lot of intangibles that never show up on the Department of Labor and Department of Commerce periodic releases.

The full story is one of regional economic depression, of personal suffering, of loss of self-respect and dignity, of mortgage foreclosures, repossessions, eviction notices, and personal deprivation.

The full story is that the standards and goals of social welfare, economic security, and full employment we have worked to achieve for the people of this country are being lowered.

The full story is that an irreplaceable national resource in the form of trained engineers, scientists, and skilled blue collar workers lies idle and forgotten while the Nation's cities, transportation systems and natural environment continue to decline and degrade.

My State, especially the Seattle metropolitan area, as members of this Committee are aware, has been severely hit by the economic downturn, by rising unemployment, by the lack of Federal programs designed to prevent local economic recessions from growing into major regional depressions, and by the failure of this administration to use the tools which are available.

Mr. Chairman, I am hopeful that today's hearing will be followed by further in-depth hearings on legislative measures such as the proposal Senator Magnuson and I have introduced to establish a Federal program of Economic Disaster Area Assistance.

While I am aware that one of the major purposes of today's hearing is to develop a Senate position on the differing provisions of S. 575 now in Conference Committee, it is my view that because of parliamentary problems and because of the need for early action on S. 575, the provisions of the Economic Disaster Area Relief Act I have proposed should not be considered as an alternative to or a substitute for Title I, the "Public Works Acceleration Act" amendments of S. 575.

There is a critical need for *both* programs. Both can contribute to national economic recovery and both can create jobs. In addition, the Economic Disaster Area Relief Act I have proposed could be made stronger and more directly responsive to dealing with regional economic and unemployment problems if Departmental views are requested and if full-scale hearings are held on the measure.

Mr. Chairman, appended to my statement is a brief outline of the Economic Disaster Area Relief Act. I ask that it be made a part of the Committee's hearing record.

**SUMMARY OF THE MAJOR PROVISIONS OF THE ECONOMIC DISASTER AREA RELIEF ACT OF 1971.**

1. Establishes in the Executive Office of the President an "Office of Economic Aid to Depressed Areas."
2. Sets forth procedures for Presidential designation of "Economic Disaster Areas" eligible for assistance under the Act. An area is eligible for a wide range

of assistance under the Act when the President determines: (a). That the area is experiencing or is likely to experience unemployment rates in excess of 6 percent; (b). that unemployment has increased by 50 percent within a one year period; (c). that the area's economy is adversely affected by changes in Federal policies; or (d) that an area is experiencing critical economic conditions and would benefit from assistance under the Act.

3. Provides that a "federal coordinating officer" shall be designated to coordinate the administration of Federal grant-in-aid programs and the special economic recovery programs established by the Act. The Governor of the State in which the designated area is located is required to appoint a State coordinating officer to work with the Federal officer.

4. Mandates the assistance and cooperation of other Federal agencies in the development of a coordinated and tailor-made plan of assistance designed to target in on the achievement of economic and employment objectives.

5. Authorizes the reprogramming of appropriated funds within an area to attain a better focus on economic revitalization.

6. Allows the modification and waiver of procedural and administrative requirements which impede the granting of timely assistance through existing grant-in-aid programs.

7. Establishes a \$2,000,000,000 "Federal Economic Recovery Fund" to provide direct recovery assistance. The Fund is not categorical and revenues may be used for unrestricted grants to states and local government, to enlarge existing grant-in-aid programs, for loans to prevent mortgage foreclosure and repossession, for housing, relocation and unemployment assistance, and for such other forms of assistance which will best meet the needs of local residents. The Fund is designed to provide an immediately available, unrestricted source of revenue to be used to deal with pending or existing economic disasters in any region of the country. Maximum latitude is granted to the President and the Director of the Office of Economic Aid to Depressed Areas to establish priorities and develop assistance programs to rejuvenate local economics and to create new employment opportunities.

8. Requires each State to develop "Full Employment and Economic Recovery Plans" for guidance in dealing with future regional recessions and unemployment problems. Among other things, the State Plan must include an up-to-date continuing status report on all public works projects—planned and under construction—which could be accelerated by funds made available under the Act.

9. Provides for a gradual phasing out of assistance made available under the Act when the goals of economic recovery have been attained.

10. Prohibits discrimination in the allocation of benefits made available under the Act, and authorizes the Director of the Office to issue such regulations as are necessary to implement the Act.

Senator MAGNUSON. And we thank you for your patience.

Senator JACKSON. Mr. Chairman, I want to reiterate that how you handle the given substantive matter is for the committee to decide and I am not suggesting that the measure we propose be treated as a separate bill, nor am I suggesting that it be treated as an amendment to the measure now in conference. We have taken the liberty of presenting it in both forms so that you could go in either direction.

Thank you, Mr. Chairman, and I regret that I am chairing another committee in 2 minutes and will not be able to continue, but we are delighted to have the Governor with us today to discuss the problem of economic revitalization in more detail.

The CHAIRMAN. The material that you requested be made part of the record will be included.

Before you leave, Senator Magnuson and Senator Jackson, I want the very able chairman of our Subcommittee on Economic Development to have the privilege, if he desires, to ask one or two questions.

Senator Montoya.

Senator MONTOYA. I would like to direct my question to the three witnesses, Senator Magnuson, Senator Jackson, and Governor Evans. Having heard the testimony in the Seattle area and knowing of the

unemployment problems which exist there, I would like to ask this question. Would a simple extension of the accelerated public works version that we had in 1962 help the Seattle area? I think that is the main area of inquiry here today. Can you direct yourself to that?

Senator JACKSON. I would respond by saying it would certainly help, but this additional tool, the Economic Disaster Area Relief Act, would greatly improve the opportunity of providing other operational solutions above and beyond the accelerated Public Works Act. That would be my response.

Senator MAGNUSON. Well, it would help, Senator Montoya, but the traditional problem that we have with public works projects is finding ones that are planned and ready to go. The administration is still impounding public works funds. I think this committee should direct the President to spend this money if Congress enacts this bill.

Senator MONTOYA. The point I wanted to make is that to me the House version of accelerated public works extension would only permit the communities in such as Seattle or the State of Washington for that matter and others similarly situated to go only a few miles whereas you have to travel more than that.

Senator MAGNUSON. Yes.

Senator MONTOYA. Now there is some thought being given to the idea of having grants or loans to nonprofit organizations, loan guarantees to private profitmaking organizations for job creation and holding major employers who would otherwise substantially reduce employment in the area and grants to States. That is another concept that is being thought about, grants to States of 80 percent to support programs giving assistance to unemployed individuals not eligible for any more unemployment compensation and income maintenance in the form of continued unemployment compensation as long as the area is designated as an area of unemployment or underemployment and many other things related to rehabilitating people that have lost their employment. Now what can you gentlemen tell us about these new concepts and whether or not they take care of the serious situation which exists in areas such as Seattle and some other communities in the State of Washington?

The CHAIRMAN. Senator Montoya, I don't want to cause a conflict but I would like the Governor to make his statement at this point when the members can be here. I just want to accommodate the gentleman.

Senator MAGNUSON. Any program will be helpful.

Governor EVANS. I will touch upon exactly what you have asked us, Senator Montoya. I would be much blunter than my two colleagues. If the accelerated public works program is sufficient, my answer is "No."

Senator JACKSON. I concur in that. I just want to make it clear, however, that we are not opposed to the acceleration of public works projects, but alone it is not a substitute for the Economic Disaster Relief Act.

The CHAIRMAN. Thank you very much.

Senator MAGNUSON. Thank you very much.

The CHAIRMAN. Senator Spong, we are glad to welcome you back to the committee. The eight members of the Public Works Committee here today are intensely interested in your appraisal of the situation.

I do want to thank all of the members who have come this morning. We hope others will come.

**STATEMENT OF HON. WILLIAM B. SPONG, JR., A U.S. SENATOR  
FROM THE STATE OF VIRGINIA**

Senator SPONG. I thank you very much, Mr. Chairman.

Initially I would like to thank Governor Evans for his courtesy in yielding to me. I have only a very brief statement.

I would like to commend this committee and the subcommittee for seeking an imaginative approach to a problem that, in part, may be of their own making.

I asked for the privilege of testifying because of my special interest in the need to assist communities stricken by economic disasters. Mr. Chairman, my interest and concern was expressed in letters last January to you, to Chairman Montoya of the Economic Development Subcommittee, and to the membership of the subcommittee.

Three Virginia areas are threatened by severe economic disruptions related to plant closings. Each of the communities is rural in nature. The economy of each is largely dependent upon the industrial plant that is to be shut down.

The three operations in question are the American Cyanamid plant at Piney River in Nelson County; the soda ash operation of the Olin Corp. at Saltville, and the Foote Mineral Co. plant at Kimballton in Giles County. Each is a substantial employer. I will not go into the details of the closings but, generally speaking, the shutdowns are related to the imposition of pollution control standards.

Saltville stands to be particularly hard hit. I have been informed that Olin's share of Smyth County's tax base is 10 percent. Its share of the Saltville tax base is an estimated 50 percent. Unemployment at Saltville is expected to exceed 11 percent when the soda ash operation is phased out. As you may recall, the plight of the Saltville community was the subject of a recent article in Life magazine.

Mr. Chairman, I realize that these problems are prospective, and that economic difficulties in other cities and States are immediate and severe. However, as a matter of national policy, it is important that long-range solutions be developed as well as short-range ones.

I have not reviewed as fully as I would have liked the provisions of the House version of S. 575 which would reactivate the Public Works Acceleration Act. The House Public Works Committee is to be commended for its efforts to relieve acute unemployment problems that exist now in many areas of the country. However, title I of the House measure, in my judgment, does not take into account long-range problems which can be anticipated with the implementation of our growing body of environmental control statutes.

It is reasonable to anticipate an increasing number of plant closings as water quality requirements become tougher, and as the Clean Air Amendments of 1970 become fully operative in another 2 or 3 years.

For these reasons, Mr. Chairman, I believe a broader based approach is preferable to the provisions of title I of the House version of S. 575. I realize that the Subcommittee on Air and Water Pollution has scheduled hearings for next week on the economic impact of Federal water pollution control laws. However, I would hope that the differences

in the Senate and House versions of S. 575 can be reconciled quickly. If that is the case, S. 575 will become effective much sooner than other measures which may ultimately be enacted.

It is my understanding that the concept of the alternative approach was developed as a result of recent field hearings by the Subcommittee on Economic Development. The proposal is appealing to me because of its flexibility, and because it closely parallels the assistance afforded both localities and individuals under the Federal Disaster Relief Act.

It brings the State governments into the picture as an instrumental force in triggering economic assistance and clearly takes into account present and prospective rises in unemployment and economic disruptions.

Having joined with this committee in its efforts to require the appointment of Federal coordinating officers in areas hit by natural disasters, I am pleased that the proposal under study by the committee includes a similar provision for areas experiencing severe unemployment and economic problems. The section authorizing grants, loans, and loan guarantees for attracting industry and holding major employers also would be beneficial and helpful.

Mr. Chairman, the proposal is flexible enough to meet a wide range of economic problems which exist now and can be anticipated in the future. I hope the committee will present the plan to its counterpart in the House.

I thank you.

The CHAIRMAN. Senator Spong, this will be helpful to us, to the subcommittee chaired by Senator Montoya, and I will work closely with him in that effort.

We want to accommodate you. You have expressed your desire to move to another assignment.

Senator SPONG. Yes.

The CHAIRMAN. Unless there is some compelling reason by a member, we will excuse you. Thank you very much.

Senator SPONG. I would like to point out to Senator Montoya in response to his earlier question that there is flexibility in this proposal which in my judgment would be more helpful than the Accelerated Public Works Act to Virginia.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you.

Governor Evans.

#### STATEMENT OF HON. DANIEL J. EVANS, GOVERNOR, STATE OF WASHINGTON

Governor EVANS. Mr. Chairman and members of the committee, I am most pleased for this opportunity to come and testify before you. I appreciated the opportunity to appear before the subcommittee in Seattle last month. I, frankly, at that time had no idea that the proposal I made for a Federal Government response for responding to economic disaster would be so quickly and so decisively taken up and I am delighted with the potential for action on a very near-term basis by the Senate.

Today there are 160,000 people unemployed in the State of Washington. What makes this unemployment figure even more painful is

the fact that we have changed so rapidly from an era of full-time employment, economic boom if you will, to one of economic disaster.

In the Seattle area seasonally adjusted unemployment has increased from 3½ percent in early 1969 to a rate of almost 13 percent today. In the State as a whole that rate has increased from 4½ percent to something over 10 percent. I think by almost any criteria this would qualify as an economic emergency. I would like to speak this morning, however, specifically to some of the proposals under consideration by this committee and our response and suggestions to those proposals.

First, to be most effective, assistance should be quickly available and designed to meet the specific needs of the occasion, including the needs of individuals of local government and of business. State and local government today cannot respond completely to the needs of a true economic disaster, such as we face, just as they quite often cannot completely meet the needs of a natural disaster in their area. Necessary assistance is potentially available from a large number of Federal agencies and Federal programs. There is, however, today no real mechanism by or through which this assistance can be provided in an orderly fashion and in a prompt way whereas there is no need for meeting the needs of an economic emergency, there is an established mechanism for dealing with natural disasters.

Let me speak for just a moment to the specific question of accelerated public works. I think that only represents one form of needed assistance and frankly in some respects is a narrow form of needed assistance. The primary emphasis of that proposal in my view should be directed to the accelerated construction of those particular public facilities which relate to the maintenance and expansion of other economic activities. In other words, if they have a direct relationship to the development of future industry in any area, then I think it made some real sense. It simply is not enough to just accelerate public works on a broad basis.

The needs for individuals, for businesses, for governments who cannot directly benefit by accelerated public works have to be considered. Accordingly, I support the general outline and intent of the proposal forwarded to us by you, Mr. Chairman, and now under consideration by the committee. There are, however, some differences between that proposal and what we have been developing. The differences relate to the questions or considerations of eligibility, of administration of the program, and the nature of these assistance provisions.

First, as far as eligibility is concerned, I think we could destroy the benefit and destroy the ability of the Federal Government even to react and respond to economic emergency if the eligibility requirements were so broad as to make most of the Nation eligible for economic disaster relief.

I think we have to concentrate in the areas where the problems are the most difficult and concentrate Federal aid in that respect where it can do the most good. We suggest for major labor areas or for States as a whole that there be an unemployment rate of 6 percent or more with the rate exceeding the national unemployment rate by at least 50 percent on a seasonally adjusted basis.

Now we differ a little bit from the committee's original approach in relating this directly to the national unemployment and recognizing

seasonable changes. Especially in our State we have seasonable cycles that really do not respond to economic disaster, they are natural consequence of seasonable type industry in our State.

Other special impact areas may be declared eligible when there is a closure or a severe curtailment of a major public or a private facility or when identifiable public policy actions have or will produce the criteria listed in No. 1 above.

Now the eligibility requirements then we suggest ought to be a little more restrictive, easier to administer and would, we believe, allow a more necessary focusing of necessary resources.

In terms of administration I hope the committee will attempt to make as many of the provisions of economic disaster relief as automatic as possible. Only when they are automatic do we have an opportunity to respond quickly and effectively to the problems of economic disaster and to minimize the long-range consequences of economic disaster.

Not all provisions, of course, can be made automatic and therefore we strongly do endorse the concept of a State coordinator appointed by the Governor to coordinate activities at the State level and within the State level and also the necessary designation of a Federal coordinator so that at these two levels of Government there are single points of contact where all of the elements, all of the pieces of an economic disaster program could be put together and could be distributed.

The third major element I wish to speak to before responding to your questions relates to assistance provisions. As we have stressed above, an effective economic program simply cannot rest entirely on accelerated public works. The needs really should focus on three categories: The problems of individuals affected by economic disaster, the problems of State and local governments affected and the problems of businesses who may not be directly involved in an economic slowdown but who may be very well seriously affected by the secondary consequences.

The most apparent need is for economic relief to individuals and families directly involved in an economic emergency. Many of these, of course, are items your committee has under serious consideration—the extension of unemployment compensation benefits to those who have exhausted their benefits. In Washington State we have taken the initiative by providing the extended benefits not only to one of the first States to respond to the Federal proposal for extended benefits, but on top of that we have embarked on an additional 13 weeks of fully State-funded benefits which, when totaled with our regular and with the State-assisted unemployment compensation benefits, total a maximum of 52 weeks of regular and extended benefits per individual.

Our action at the State level, however, is seriously draining the unemployment compensation fund of our State, which has been by far the most stable and the largest of any State in the Nation. We have a very large unemployment compensation fund—have had for many years. It is under serious pressure now because of our extension which is fully funded at the State level.

We simply are reaching a point where I believe very strongly an economic disaster program ought to include the triggering in of fully Federal-financed unemployment compensation benefits when they go beyond those already 50 percent Federal-funded elements.

Rent and mortgage payment assistance is under consideration. We strongly believe that this is of real importance to many citizens in our State. We are finding the difficulty of people, many of them today unemployed, who have great skill, who had substantial incomes, who have very large continuing responsibilities for home purchase and family expenses. They face some very serious problems which mortgage assistance payments and loans would be of great help for them.

Public service employment is another separate element that the Federal Government has embarked upon. We have had two such grants from the Federal Government. They have been of enormous benefit to our State. As a portion of a total concentrated economic disaster program this certainly should be an individual and, hopefully, an automatic element.

We have found that this can be an immediate response to economic disaster. We have been able to put into effect within less than the 30-day period the effective public service employment programs funded by the Department of Labor last fall and most recently just a week or two ago.

Job training and retraining is available under a number of Federal programs but when it relates especially to economic disaster the ability to pull together quickly and under one head through a Federal coordinator these job training and retraining programs and to work them closely with a State coordinator would make them much more effective in minimizing the effect of economic slowdown.

Relocation assistance is another element that could be of great value. We have a number of highly skilled people in our own State. Frankly we hate to see them relocate but the individual needs of people for job opportunities that may not exist and may not be in the foreseeable future in an area makes relocation assistance desirable, I believe, to help people relocate when jobs may be available in other parts of the Nation.

As far as government is concerned, the second major element where assistance is needed, I previously stated before the subcommittee and I would state again most emphatically that I firmly believe there is a strong need for this Congress to respond to the revenue sharing proposals, both special and general. Only then can we really reach an effective and flexible Federal system that will serve the best needs of our Nation and help us to most rapidly reach national goals.

We suggest as it relates to economic recovery programs that a special triggering of supplemental revenue sharing of incremental funds be appropriate to the emergency situation. The designation of an eligible area might very well, for instance, result in the provision of supplemental block grants in such categories as manpower, community development, and rural development in three of the special revenue sharing programs that are now before Congress.

In the meantime there are several other actions that could be of value to local and State governments. The reduction of Federal matching requirements could be of enormous and immediate assistance to both State and local governments. It puts a great strain on our State and I might say that our legislature adjourned at 4 o'clock in the morning yesterday after struggling for 4 months with continuing and increasing needs—the needs of greater public assistance payments, the needs that are pressed upon the State from economic problems while at the same time facing shrinking, not growing, State revenues.

The necessary outgrowth of that has been a budget that calls for no salary increases for the next 2 years for teachers, for State employees, for anyone in government. It calls for a decrease, not an increase, in public assistance payments and in medical care for people who are destitute. It calls for the laying off of some 2,000 State employees because there simply is insufficient revenue to support them.

Much of this could be relieved if during a period of economic emergency the requirements for Federal matching funds could be relieved. This especially on an interim basis prior to revenue sharing could achieve something of the same end result. We propose then in terms of non-Federal matching requirements, there be an automatic across-the-board reduction when economic disaster areas are triggered in perhaps 50 percent of all Federal aid programs in the area.

This could be of immediate and very important benefit to local governments struggling, as most of us are, with inadequate revenue systems—revenue systems that simply do not and cannot respond rapidly enough to economic changes—incremental Federal funding, supplemental funds for the economic or affected area as an addition to or a partial substitution for supplementary agency funding.

These block grants would include public assistance block grants for increases in program costs when you have a very substantial increase directly related to economic slowdowns, public facility block grants for projects related to the maintenance and expansion of permanent job opportunities in the affected area. I understand this is something being considered by this committee.

Technical and planning assistance can be of real value and many Federal programs today allow for this. The coordination of all through the Federal coordinator and the making of an automatic cut-in for these affected areas would be of real help. In extreme situations, and I think this perhaps comes to the last point, there should be a provision for tax relief for State and local governments as provided with relationship to property taxes under the Natural Disaster Act.

The third and final area I want to comment on very briefly is in relationship to businesses. I have spoken of the needs for individuals, the needs for governments, the need for business to have some help during these periods of economic emergency could relate to investment tax credits, provided as a stimulus for the creation of new and substitution job opportunities.

This is a step I have proposed within the State of Washington. It would require in our State constitutional change which we are now attempting. Business loans or guarantees during times of economic emergency could assist businesses over these temporary periods. Many businesses sound in nature find temporary difficulties, financial difficulties for which business loans and guarantees particularly could be of help.

Preferential Federal purchasing could be of assistance also. These would not require really any additional funds of the Federal Government but in the carrying out of existing Federal programs the purchasing of many billions of dollars which the Federal Government undergoes each year where there are businesses available to provide the materials and supplies the Federal Government needs and where it could offer relief to an economically distressed area. These bid price differentials could be a part of a total economic recovery program.

Now these do not suggest in any respect that the lack of Federal response so far to our immediate problems in the State of Washington are the fault of any particular agency or any individual or the Federal Government itself except to say that we simply do not have the mechanism today to promptly and in a broad fashion deal with economic distress which may come suddenly and rapidly to a metropolitan area, to a smaller community, or in our case to the State as a whole.

Consequently, I hope, Mr. Chairman, that this committee will undertake as rapidly as possible the passage of legislation such as you have considered. I, of course, cannot tell you how that should come about, but the faster the better as far as our needs are concerned and I am sure the needs of many States in the Nation.

I would be very happy to respond to any questions.

The CHAIRMAN. Governor Evans and my colleagues of the committee, I am going to ask only one question because I want full participation of the nine members who are here, opportunity given to them as well as to the chairman to have colloquy with the Governor.

My question may be somewhat abrupt, but it is not meant in that nature. It is not partisan in any sense of the word.

Governor Evans, you have said essentially this morning that you endorse what the Senate public works committee members are attempting to do by the proposal, is that correct?

Governor EVANS. Yes, indeed, it is, Mr. Chairman. We proposed these programs to Senator Montoya and I certainly do endorse what you are undertaking.

The CHAIRMAN. And you are attempting to suggest a further effort. We certainly want to do that and we want to be able to hopefully do it in the very best way. Now we come to the question I am asking. I believe there is no question now that the President has indicated through a statement made by Mr. Shultz for the administration that he would veto an accelerated public works bill.

Senator COOPER. Let me comment on that. I would only say, and I think I am correct, that the President has said he would veto the bill as passed by the House. I think I can state that. I cannot go any further and state that he would veto the proposal which we are now considering.

The CHAIRMAN. Senator Cooper, I was going to add exactly what you have stated, that he would veto the accelerated public works bill and apparently that would be the legislation as passed the House.

Now the proposal we have within the committee, which we are considering—and I am not attempting to say that all the members have agreed to it—is hopefully a sound approach. You, I believe, have already said that you believe it is a good approach.

Would you be in a position to be joined by other Governors, if we came to the place where such legislation embodying our proposal went to the President, to urge the President to sign such legislation?

Governor EVANS. Mr. Chairman, I find myself in the position as a chief executive myself of facing legislation that comes to me passed by our legislature, some of which I do not like, some of which I cannot accept, some of which I think is very good. In my own State I have the privilege that the President does not have. I have a very broad item veto so I can select which parts I like and which parts I don't like, to the distress I might add, to our legislature sometimes. How-

ever, I believe very strongly in the broad proposal laid before you and the broad proposal which you are now considering.

I cannot say at this time what the total program would be when it is presented to the President. As a result I cannot say what the President and his staff and the Office of Management and Budget might believe the total effect of that program would be on the economic recovery of the Nation and its effect on the Nation. So it would be a little difficult to respond to that question not knowing what the final shape of the bill would be as it reaches the President's desk.

Let me do reemphasize that I believe the program we have laid before you and the program you are now considering is not in all respects an alternative to accelerated public works but I believe in the long run this proposal will be a broader response, a better response than an accelerated public works program.

The CHAIRMAN. Now, Governor, it is understandable that you would respond as you have. I can certainly feel with your responsibility and your attention to the final disposition of the matter as it rests on the President's desk.

Senator Baker.

Senator BAKER. Mr. Chairman, thank you for the opportunity to say one brief word in connection with the present status of the legislation. As you know and as I have said publicly, both in committee and out, I think it is unfortunate that accelerated public works as such in its broad form as adopted by the House was drafted onto the Appalachia bill. I would prefer that a matter of that significance would have been taken up separately but that is not the fact, it was in the judgment of the other body desirable to put APW on the Appalachia renewal bill. So that is what we are faced with.

I would like to make the point that this committee and its several members in the hearings of the subcommittee in Seattle, in further meetings of this committee in Washington and in private conversations all predating the statement of the President with respect to veto had expressed, I believe, almost unanimously a substantial desire to improve on that situation with something generally modeled after economic disaster relief, as you, Mr. Chairman, have stated at the beginning of this hearing.

I think it is appropriate now in the early part of this hearing to point out that Governor Evans' testimony in Seattle on this subject represented remarkable new initiative in this field that can go to our interests and our belief that it might serve as a substitute for the nationwide broad based 1962 model for HEW.

So the point is that the initiative for going forward with an alternative was not in response to Presidential veto but I believe with the help that this committee has that we ought to find something better. The fact that the President has now stated he would veto the House version seems to me may add further reason and logic to our efforts to find an alternative. But I think it is important for the record to show and for the public to know that our efforts in this committee to find an alternative are not responsive to the threat of the Presidential veto. But we think there is something better and Governor Evans has made a real effort in bringing the general format to our attention.

The CHAIRMAN. I thank my colleague, Senator Montoya.

Senator MONTAYA. I just want to say that Governor Evans advanced some new concepts in Seattle as Senator Baker has stated and we

went into those concepts very thoroughly with him. I defer to some other member of the committee to ask any questions.

The CHAIRMAN, Senator Cooper.

Senator COOPER. I do not have many questions for the Governor. We are very grateful to you Governor Evans, for coming here and for your very clear and precise recommendations. I am sure we are all sympathetic with your plight and yet we know that from this experience, which certainly is not a happy one for you, you are able to write practical recommendations which will be very helpful to us.

I will not belabor the point but I do want to make it clear that I do not assume to speak for the President. However, it is my understanding that he has not made any further statement about a veto other than saying he is opposed to title I of the House bill.

I am sorry, too, that the Accelerated Public Works Act was placed in the Appalachian bill. What the House has done may have the effect of ending the Appalachian program and it would be very hard to reestablish it again if it goes down.

We have to work on this situation from a practical viewpoint now and, if we can, develop a bill or a proposal which the Senate can support in conference to replace title I of the House bill. All we can do now is make our proposal in conference and come out with an agreed bill which really ought to be helpful. A bill that is of immediate help.

Do you consider title I of the House bill a title which could be helpful to areas such as yours?

Governor EVANS. Senator, I think perhaps what we have to do is separate the accelerated public works concept from the continuing and normal public works which are going on which I presume will continue to go on through the various Federal agencies. Now many of those programs will affect the State of Washington. They represent continuing and long-range programs that are desirable and of great benefit. However, if we are talking about the availability of only a certain amount of Federal money, I think the flexibility of using the money in a variety of ways as suggested under an economic disaster or economic recovery program would be infinitely better than just concentrating it in an accelerated public works program.

An accelerated public works program helps on an immediate basis those who are in the construction industry, those local and State governments who at least through the departments do the design, the planning and the construction supervision but it only has secondary effects on a somewhat delayed basis as those projects are built and as the money from construction circulates through the community.

We need help now. We need help not just for the construction industry and construction workers who would be directly and immediately affected by public works, we need help for those who are employed in the aerospace industry and who are not construction workers. We need help for those who have minimum training and education who are consistently unemployed and who have difficulties today and many of them who cannot get into the construction union. I think there is a great need for this broad assistance that would affect immediately individual businesses and local and State governments and I think frankly represents an infinitely more effective response than an accelerated public works program.

Senator COOPER. Thank you.

The CHAIRMAN. Thank you, Senator Cooper.

Senator MUSKIE.

Senator MUSKIE. Governor, just one or two questions. First of all I would like to state every one of the proposals you made will be helpful in meeting the problem that you face and in other communities in similar situations.

I do consider accelerating an important part or an important tool to be used together, tools that you propose. I know when I was Governor in 1958 how helpful the accelerated public works program was at that time. Of course a great many of these public works, even if they are ongoing programs, are related in developing plans in any State so that they can be accelerated and develop the picture at any stage. I realize the accelerated public works approach but I also feel the broader view you recommend is much more useful.

I would like to add just one or two more questions with respect to the economic situation in Seattle.

First of all, what is Seattle doing about major layoffs?

Governor EVANS. One of the problems, I think you understand the particular difficulties in the Seattle area, is to go back about 4 years. In 1967 and 1968 we began a very rapid economic buildup when the full effect of the development of the 747 and other commercial enterprises of the Boeing Co. required an influx of new people. Unemployment declined in the Seattle area to at one point less than 2 percent in a period of great labor shortage.

So we frankly grew too fast. We had an influx of many new people. The population of the State of Washington grew by more than half a million during the decade 1960 to 1970, all of that growth coming in the latter half. In fact, in a 2- or 3-year period most of that and then in the middle of 1969 the combination of the decline in air travel, difficulty in financing of aircraft slowed down the purchase of commercial aircraft by the airlines and this had the fallout impact on not only the Boeing Co. but it has had an impact in other aerospace cities as well. This was coupled at the same time with something of a decline in military expenditures in the aerospace industry.

So we had a very large boom and in the middle of 1969 we began in the fall. So that is when it began. It has accelerated and of course we had an additional jolt which has come just recently with the cancellation of the SST program, this coming on top of everything else now. The peak of employment at the Boeing Co. alone was about 104,000 in the Seattle area. Today there are 39,000 working at the Boeing Co. and by the end of this year it is expected to be under 30,000. So it is not only the economic decline but it was the boom that preceded it that has really intensified our problem.

Senator MUSKIE. What was the employment a year ago?

Governor EVANS. The employment at the Boeing Co.?

Senator MUSKIE. Yes.

Governor EVANS. I am sorry. It has come down in an awful split line basis. So a year ago probably 60,000 somewhere. During that period of time, of course, the unemployment from that very low point has reached on a seasonally unadjusted basis as high as 16 percent in the Seattle area.

Senator MUSKIE. Now you spoke of your action in the State in extending unemployment compensation benefits.

Governor EVANS. Yes.

Senator MUSKIE. Will that still leave many unemployed without income? In other words, would the additional 15 weeks pick up most of the income problem in the area?

Governor EVANS. We had a very broad change in our unemployment compensation program that became effective in April of 1970. The effect of this was to not only change eligibility requirements but to broaden the amount of money. The maximums went from \$42 a month—or \$42 a week, which was totally inadequate, up to \$72 a week and now it is attached to the cost of living so it has a flexible maximum.

At that time we added the extension at the State level and we also added at the beginning of this session the necessary laws to bring us into conformance with the Federal level. Since that time, however, we have had a growing number—first a very small number but now it is growing—of exhaustions each week, people who have exhausted their regular benefits, their State extended benefits and even the Federal extended benefits. So we are reaching a point when some people have drawn up to 52 weeks of unemployment compensation and still cannot find suitable reemployment.

Senator MUSKIE. Are you now moving into large numbers?

Governor EVANS. There will be growing numbers but it is a little difficult to say. I cannot honestly say that all of those who exhaust unemployment compensation benefits will find their families shortly thereafter needing public assistance, for instance. Some of them are people who still have another person in the household working to some degree. They have come down very radically in terms of the family income but there is still some income remaining.

Others may find employment shortly after their exhaustion, others may leave the area shortly after exhaustion and some today, as is possible, are drawing the remaining parts of their unemployment compensation from other areas as they seek employment in other States. But there will be an increasing number, and in order to handle this problem from State funds our unemployment compensation fund which a year ago totaled more than \$300 million in the State of Washington, a very large bank on which to draw for a State our size, may at least on a temporary basis go into the red in less than a year from now.

Senator MUSKIE. What is the tax rate? There is a provision in the Washington law for adjusting the tax rate upward?

Governor EVANS. Yes. In fact, our most recent passage for an Unemployment Compensation Act provided for, as I have pointed out, an attachment to the cost-of-living index for the maximums to be paid to any worker. It relates to the average wage of a worker in the State, and the maximum is attached to that. We also have attached the unemployment compensation payments from industry to the size of the fund and it triggers in higher payments when the fund gets down to certain levels. I do not know precisely what the payments are at the moment but I suspect they are 2.7 percent plus the Federal.

Senator MUSKIE. At the maximum rate?

Governor EVANS. I would suspect if they are not at the maximum immediately they soon will be for all industries.

Senator MUSKIE. Now what has happened to the public assistance payments? I gather that those ought to be expected to escalate rapidly now as soon as you get into an area of exhausted unemployment benefits.

Governor EVANS. We are waiting with apprehension to find out what does happen. Of course we, as with other States, have faced very rapid rates in those rolls over the past 2 years. If anything, the economic boom from 2 years ago prevented us from seeing the rapid increases that most other States were facing several years ago in public assistance payments. I think those came not necessarily from declines in the economy but from a greater knowledge or greater awareness of eligibility for public assistance, the expansion of medical programs and frankly in some cases the institution of Federal requirements on States for greater payments, greater response to the needs of those on public assistance without, I might add, suggesting any further Federal response in terms of money.

Senator MUSKIE. Is their welfare plan inadequate to meet the new low which you might anticipate from this problem?

Governor EVANS. No. Our public assistance program, in spite of the fact it has gone up in market just a few years ago, our total State and Federal spending for public assistance was something less than \$300 million for a biennium. Our biennial budget for the upcoming biennium starting July 1 of this year will be close to or over \$700 million. It has more than doubled in the 4-year period and for the upcoming biennium we have instituted no increases for the increased cost of living.

We reduced necessarily the breadth of our medical care program and in some respects through simplification and through institution of a flexible maximum have reduced the direct authorization of money through public assistance recipients. So the costs are going up, the rolls are going up and we have reached the point where our response is inadequate even to the present loads.

Senator MUSKIE. Does this mean that shortly there will be increasing numbers that will have no relief whatsoever, no income whatsoever as a result of this combination?

Governor EVANS. Not if I can help it. We will do everything we can to insure that there is help for those who really do need help but we have come to this point in our State where a year ago because we were confined to appropriations, we did not have a legislature in session, and in order to cut back to meet the appropriations then in existence we had to simply reduce some of our public assistance program, trying to relate it to the relative need within the public assistance program.

We finally cut off entirely all of those who were adults over 21, under 50, who were single or married with no children who were on general assistance. In other words, those who were most employable, even though there was very little employment around, we said simply we cannot extend unemployment compensation or public assistance benefits to you and we have had to rely then on volunteer agencies or on those individuals for their own support.

Senator MUSKIE. What I am really getting at here is the proposals. Most of them are in the nature of economic stimulus or in support of the extended unemployment compensation benefits which you already

provided for in Washington. What is going to happen in increasing numbers and what is going to be the source of increasing numbers of people who would not be able even to the extent that the compensation beneficiaries do not yet benefit from the economic stimulants which might be proposed but without income? Are they going to be in large numbers of people in that category? What, if anything, is necessary in the form of additional assistance from the Federal Government or other source to meet their bare minimum income needs?

Governor EVANS. That, Senator, is precisely the problem you have hit upon and that is precisely why the accelerated public works cannot meet that problem because there is not an immediate stimulus to those people who are on public assistance or who are about to go on public assistance. Generally those who are in the construction industry find alternative employment for when they are working they have high rates of pay and can live through, for a limited time at least, periods of unemployment.

One of the programs we suggested here in terms of aid to local and State government is the reduction of non-Federal matching requirements. Now in our State we provide from the State level approximately half of all of the public assistance payments. Now that is more than many States—the States, for instance, with less capacity on a regular basis. States of the South, for instance, do not from the State level produce anywhere near that percentage of public assistance payments.

If we were to have some relief triggered in during times of economic emergency that would reduce the Federal-State matching requirements—if, for instance, we were not providing 50 percent but instead 25 percent—then we would be relieved of part of our burden and would be able to expand the public assistance program to meet these needs. I think this relaxation or flexibility of Federal matching requirements that could be automatically triggered in would be of immediate and specific help to hit the problem you are talking about.

Senator MUSKIE. Thank you.

The CHAIRMAN. Thank you, Senator Muskie.

Senator Buckley.

Prior to your comments, Senator, again the Chair wants to thank the members who are here today. We have had 10 members of our full committee present. It indicates your intense interest in what we are doing here and your desire to listen carefully to such witnesses.

Senator Buckley?

Senator BUCKLEY. Thank you, Mr. Chairman.

Governor EVANS, I, too, have been most impressed by the comprehensive nature of your presentation and thinking. I would like to ask one question. If the SST prototype program were to be reinstated, what immediate effect would this have on your unemployment rate?

Governor EVANS. It would have a twofold effect. First, it would halt or at least it would help to relieve the problem of about 6,000 direct layoffs that have been directly attributable in the Seattle area to the SST program. Those have a rather immediate secondary impact on associated industries in the area and on service industries in the area and our estimates are from 10,000 to 12,000 people on a virtually immediate basis are being impacted by the closure of the SST program.

Reinstatement of the prototype program, of course, would halt that

layoff but I think infinitely more important to people of the Seattle area and the State of Washington would be the regained confidence in the future of the area and of the economy. It would be a psychological stimulus that would, I think, do more for us than any similar amount of money that could be spent in the area.

Senator BUCKLEY. To what extent has the cutback in the space program had a direct employment impact?

Governor EVANS. It is a little difficult to respond exactly to that. The Boeing Co., of course, has been a very important element in the space program. Much of its employment in the space program, however, has not been in the Seattle area, it has been in conjunction with the Cape Canaveral expenditures, it has been in other parts of the Nation.

We do have a continuing military load at the Boeing Co. that probably in the future will be as good or maybe even better than it has been at the moment. The company as a part of the aerospace and military industry has had a drastic reduction in the percentage of their business that is related to the Federal Government. Their big impact over the past few years has been in the commercial field and it has been the problems of the airlines that have been the impact primarily on the company in the Seattle area.

Senator BUCKLEY. You mentioned that the accelerated public works would have a delayed impact in your area. Do you have any estimate of what it would mean in terms of jobs, say within a year and thereafter?

Governor EVANS. Well, it depends on how large a public works program would be as related to our area. You get a major construction project. The construction of a new Federal building, for instance, in the Seattle area is an example of a project now under construction. It is a project that will cost, I suspect, \$35 million or more by the time it is completed yet hires at the moment maybe a couple of hundred people. It has a secondary impact as those persons spend in the community but the building is going to take several years to complete. There will be a steady employment during that period of time but the buildup of employment, of the maximum employment, will take some time and our problems are immediate. I think it is the delay, the leadtime required in accelerated public works that frankly we can't stand.

Senator BUCKLEY. In other words, in the context of 160,000 you now have unemployed, this would be the smallest drop in the bucket.

Governor EVANS. Yes, unfortunately. We are now by no means rejecting Federal public works. They are an important element particularly in our State because Federal public works have been instrumental in taming the Columbia River and expanding hydropower and many other things, but I think the concentration of accelerated public works, if we are talking about the need for economic recovery, ought to be in areas where they have a direct relationship to future permanent other economic enterprises. In fact we have had, I suggested to our State legislature, a State program to do essentially the same thing; it was in two parts, a jobs now program which was public service employment, other elements such as I have suggested here and a long-range public works program. We were very careful to make the public works program a longer range effort and for the next 2 years to plug in an immediate jobs program because we recognized that the leadtime on public works would not provide the immediate help we needed.

Senator BUCKLEY. I was very interested in your emphasis on the need to develop automatic criteria (a) for determining areas or the

eligibility of areas and (b) for implementing the program. Obviously, you have put in a great deal of thought in this whole presentation. Is the criteria which you inserted just suggestive of others or do you feel that these suffice and can serve us?

Governor EVANS. I cannot say specifically that they suffice in themselves because frankly I am not familiar with all of the individual problems in other States of the Nation. This is responsive to our particular problems. We have looked at other States and their unemployment rates and unemployment rates of the standard metropolitan statistical areas in the Nation. We believe that these criteria will meet generally the most significant economic problems, especially when combined with the second one which relates to the closure or severe curtailment of public or private facilities that would have the effect of leading to high unemployment.

I think if we can catch these problems before they become intensive we can probably minimize the money response that is necessary. But I am afraid I cannot say specifically, I think it will need some study by your staff here to see whether these criteria really fit the whole Nation.

Senator BUCKLEY. Finally, do you have any estimate or quesestimate of the kind of new money that would be required to do the job that you feel needs to be done?

Governor EVANS. I really can't say that I have. In my supplemental testimony to the subcommittee in response to a question by Senator Tunney which was, "What do we believe it would take to bring the unemployment rate in the State of Washington back to a 3½-percent level?" that was a pretty tough question to answer but as nearly as we could tell we are talking about the investment of something close to \$400 to \$500 million. Now I don't think that all has to be Federal involvement. I don't think it all has to be governmental involvement, but it is going to take a major investment to turn around and to regain the economic status we had 2 years ago.

Senator BUCKLEY. Thank you very much, Governor.

Governor EVANS. Thank you.

The CHAIRMAN. Thank you, Senator Buckley.

Senator Tunney?

Senator TUNNEY. Thank you, Mr. Chairman.

Governor EVANS. I have been as impressed today as I was in Seattle by your testimony. It is really an excellent and most helpful statement.

I am curious about your opinions regarding the device to trigger emergency economic disaster assistance. Do you believe such aid should be available when a Federal decision regarding procurement, or regarding a military or other Federal installation produces substantial unemployment? Do you think individuals who are thrown out of work on those occasions should benefit from these emergency relief funds even though the area as such may not be a disaster unemployment area?

Governor EVANS. I think that in my suggestions specifically for eligibility criteria, and frankly I can't say that we have thought these through to the point where we can be specifically sure we are meeting the exact thing you are talking about, but under (b) we suggest other special impact areas may be declared eligible when there is a closure or severe curtailment of a public or private facility or when identi-

fiable public policy action will produce the other criteria we are suggesting. I think you are right, that at least some elements of what we have suggested for immediate help could very well be made available quite specific to those who feel the immediate pinch and the problem of layoff even when the total area does not itself meet the criteria.

Senator TUNNEY. Good. This is the point I want to make clear. In your statement you talk about impact areas and I am talking specifically of the aerospace industry which in your State and my State has suffered so badly as a result of some decisions on the space program and sophisticated military technology that were made at that level which have resulted in hundreds of thousands of people being laid off.

So if I understand your statement, you feel that a criterion for relief to jobless people would be to have a decision by the Federal Government which would produce substantial unemployment in an industry and then allow the jobless in that industry to benefit from the emergency conditions.

Governor EVANS. I would think that that is something that ought to be seriously considered, and as I say frankly we have not in my statement or from our staff thought that through to its conclusion but some of the proposals here for relocation assistance, for the mortgage guarantees or relief for individuals, many of the programs you have suggested here for aid to individuals certainly could be made available, it seems to me, on that kind of a basis.

We have, and you have, too, many highly skilled aerospace people, they are highly skilled but they are narrowly skilled and they simply are not likely to find other jobs of any suitable nature in a community even though the total economy may be at least reasonably good when they are laid off in massive numbers from a public policy decision.

Senator TUNNEY. The change that is of interest to me is that you could have individuals working for the same company who would, as a result of the Federal decision, both be laid off, one of them living in a county which would qualify as an unemployment disaster area and the other living in a county not qualified as an unemployment disaster area. Both need the help; one could receive the help, the other could not unless you could bring relief on a functional basis to the unemployed based on the industries and the decision of the Federal Government to produce those industry layoffs.

Governor EVANS. It seems to me what you might be able to do is have a limited number of these programs available because not all of them would necessarily be available. For instance, the various kinds of governmental relief I have suggested here for State and local governments might not be required in an area where the general economy was still pretty good but individuals laid off might have some very severe problems which could not be readily handled and some of the individual relief elements I have suggested could be triggered in for that particular case. Maybe even some of the business elements could be triggered in as they affect the particular industry or the business seriously affected.

Senator TUNNEY. Well, I thank you for your statement. It seems to me to be very important to consider making relief available on a functional basis when you have decisions that produce substantial unemployment in either a Federal installation or an industry contracting with the Federal Government.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Tunney.

Governor Evans, you do realize that we must add to the problems of unemployment as we view them in this country the 1 million returning members of our armed services who come back to the United States of America this year, 1971, who are coming back to the Seattles and Californias and other communities which are sometimes overlooked.

Senator Dole?

Senator DOLE. I have read your statement and I regret that I was not here earlier. Have you made any attempt to project how many jobs might be created in the State of Washington with title I of the House legislation or by substitution of the Baker proposal?

Governor EVANS. Not specifically, Senator. We could and we have attempted to do that if it would be helpful to the committee.

As I pointed out, I believe that the specific problem relating to accelerated public works is the leadtime problem as compared with the immediacy of economic disaster, if you will, or economic decline that has hit our area at least. So there are two things: the number of jobs made available but also the speed with which those jobs or the speed with which relief is made available.

Senator DOLE. If you had a choice between the accelerated public works program, the Baker proposal, and the SST in an effort to bring immediate relief to the State of Washington, which would you choose?

Governor EVANS. I wish I now were solving them because depending on my constituents back home who happen to be in aerospace engineering or construction workers or on subsistence, they would have differing answers. I believe the SST program has an effect on your State employment because we happen to be the center for it.

I have considered myself a very strong environmentalist during my term as a legislator and as Governor. I am also a very strong backer of the SST, not because it has a real effect on our immediate area but because I think it is in the national interest. But it would have a good effect, of course, as I pointed out earlier, both psychologically and in reality. I think the proposal embodied here and as Senator Baker has put it forward and others on the committee, the concept of a broad, a flexible, and hopefully an automatic response that can come quickly would be the most needed and most desirable.

Senator DOLE. I know it is a difficult choice. We have the same choice in Wichita, Kans., which has an interest in the SST. I asked the question because there is a possibility that although the SST has been lowered into the ground, it may not yet have been completely buried. Today the House will be voting and perhaps there may yet be another vote in the Senate.

I happen to agree with you that it is in the national interest and in building the SST we are going to create jobs, which is an important byproduct. But it occurs to me, and I believe Senator Jackson may have alluded to it in the debate on the SST, that we can discuss programs to help the unemployed such as extending unemployment compensation, which may be very helpful and necessary, but such programs do not create jobs. Mortgage and rent assistance may be very helpful but they do not create jobs.

Putting aside the rhetoric, funding the SST would create as many or more jobs in American than either public service employment or an

accelerated public works program, not only immediately but a decade and 20 years from now. I feel strongly that before we throw in the sponge on the SST or any other program that might really be meaningful insofar as jobs are concerned that we should bend every effort to salvage what we can. I have often wondered why we needed two SST prototypes; why not just one? We can fund one for the termination costs, why not complete one prototype. This is something that is apparently being explored at the present time.

Governor EVANS. I could not agree with you more, Senator, that what we really need is to develop the kind of economy that will provide permanent, good, long-range jobs for our citizens and for all of our citizens. We have continuing problems in this Nation of people who simply have never had either the opportunity or the training or the education to ever be fully employed. Some of them may be underemployed, some of them may be unemployed but they have been joined now in the unemployment lines in our State by highly skilled aerospace engineers and by others who have all the training necessary but still no jobs at a time when I think this Nation has a real and continuing need for technological development. Once we step back from that I think we take a long step backward in terms of our own Nation's future. So jobs are the thing we ought to be working as rapidly and as consistently for as we can. It is only in the interim period at a time when we need to fill the gap that we ought to consider these other programs. But even the lead time on the revival of the SST or if it had been funded on a continuing basis, the bulk of the jobs that come from that are still some years down the road.

Senator DOLE. We find in our State that there is a pickup in the aerospace industry. We note that Cessna, for example, is employing an additional 400 or 500 people. While that is not many, in Kansas, that is a great number of jobs these days. The same may be true at Beech. Do you detect any signs of encouragement in the aerospace industry notwithstanding the SST?

Governor EVANS. We are still going to see a decline in our area for some months to come in total employment in the aerospace industry but outside of the drop as related to the SST and the cutting down because of stretchout of airline purchases we do see other programs that are beginning to come on line that will have the effect of stabilizing employment in the aerospace industry. I think we will see good stabilization and perhaps a rebirth of growth in our area once the national economy picks up to the point that more people take to flying again and the airlines reach an economic state where they can accelerate purchases of aircraft. Now our major markets from the Boeing Co. now have to be in terms of new sales primarily overseas and we are working very hard in the state on those sales but if we can get to a point where we can once again expand domestic sales then I think we will see not only stabilization but growth again in our industry.

Senator DOLE. Thank you, Governor.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Dole.

Senator Bentsen.

Senator BENTSEN. Thank you.

I want to congratulate the Governor also. I think he has done an excellent job. I can understand why Senator Baker strongly recom-

mended that he be in our decisionmaking process in the writing and judgment on this.

I was particularly interested in your fist criterion that you cited as qualifications for these programs being put into effect. I personally think it is a substantial improvement on the one that is in the bill where you talk about using an unemployment rate of at least 6 percent with eligible areas having to exceed the national unemployment average by at least 50 percent on a seasonally adjusted basis.

What you have proposed here is far beyond, as you well know, the provisions of the Accelerated Public Works Act. I think that the cost will be far beyond public accelerated public works, and I would be surprised if the figures you cite would cover the whole cost.

We face in the Federal Government the same kind of problems you face in State government with the enormous deficits and problem of priorities. Where do we raise these funds?

What you propose here is moderation, trying to reasonably adjust to these kinds of economic dislocations. But because these adjustments will cost substantially more I think that we have to have a tightening up where we put them into effect. I think you have done some of that. I also recognize the problem that you pose that perhaps some of these kinds of criteria should be attached to an industry by itself, rather than to an area of substantial unemployment alone.

So I think you have made a contribution. I believe that we should continue to work to try to further implement effective standards when these programs go into effect because it is also tougher to take them out than it is to put them in. I want to congratulate you on the testimony you have made.

Governor EVANS. Senator, I might add to that that by narrowing criteria we think that we can get to the most difficult areas by having the second criteria which really relates to specific problems. I think it is much like preventative medicine. I think we can minimize the total cost to the Federal Government and to local government if we can get to incipient economic problems before they really spread and that is why I think we focus moneys on areas already in deep difficulty so that we do not expand or balloon the cost clear out of reason.

I think by using at least a portion of these elements in terms of incipient areas of high unemployment we may very well minimize future costs that will accrue anyhow whether they accrue to the Federal Government or whether they fall upon local government or on the individuals concerned. They are going to be costs either in money or in suffering and if we can minimize those by getting at the problem of them immediately, automatically, I think we will probably minimize the Federal Government cost.

Senator BENTSEN. I think that minimizes major objections to accelerated public works projects. Accelerated public works does not act fast enough in many instances. In 1962 when we put this program into effect—the Government did—we saw that there wasn't a significant upturn in employment for at least 9 months.

Mr. Chairman, thank you.

The CHAIRMAN. Senator Bentsen, that is true but we were initiating projects long overdue, let's say sewage and water systems, and necessary facilities to strengthen the community, so that people could stay there and industry could come there. I often think, as a believer in

public works, that a timelag does occur, but basically it is a program that has many pluses in it.

Senator BENTSEN. I am concerned about the hiatus you have and what the people do for those 9 months, and I think that the other programs would be of assistance.

The CHAIRMAN. Yes. Well, I am sure we are in agreement on that. Now, Senator Baker, we come back to you.

Senator BAKER. Thank you, Mr. Chairman.

I want to comment briefly on the colloquy between you and Senator Bentsen. I entirely agree with both of you and I surmise you agree with each other. We are not commending APW as a program with laudable objectives, but wondering whether there is not a quicker reaction time in some other programs under the exigencies of a particular circumstance. I think that it is implicit in all the testimony that we have heard from the Governor and from the suggestion that he has made to the committee.

I would like only to say this, Mr. Chairman. I personally am grateful to Governor Evans for making a personal sacrifice in coming here to testify. I first discussed this matter with him on the telephone and he was in the throes of the final phase of the legislature and it was obvious it would be extraordinarily difficult. But I was, I am afraid, a little insistent because I was so impressed with his testimony in Seattle as Senator Montoya and Senator Tunney and others of us had discussed. We thought there was an opportunity for a real and meaningful contribution to this general field and I think now that the Governor's testimony has vindicated that belief.

The CHAIRMAN. I share that. Do you remember I tried very diligently with you to readjust the date of this hearing?

Senator BAKER. The chairman of the committee and the chairman of the subcommittee have not been only cooperative but they have been exceedingly patient to arrange a time to have these hearings.

I conclude only with these remarks, Mr. Chairman. I think you and the subcommittee chairman as well as Governor Evans have made an enormous contribution in accommodating economic dislocation. I do not mean to be unduly hard on our colleagues in the House, I simply say that the program as presented to us in conference won't hold a candle to the fundamentally different approaches that we are experimenting with and considering here.

So I commend my colleagues on the committee for having the courage in a short time-frame and under difficult circumstances for having the courage to pick up and consider a brand new approach to a problem and to go to conference with it. I hope we can convince our colleagues in the House that we are doing something better because I think we are.

Thank you.

The CHAIRMAN. Thank you, Senator Baker.

For all the attention individual members are giving to informal conferences and those that will share the joint conference responsibility with us, I am very grateful.

I know that I continue to talk with the chairman of the Public Works Committee in the House, Representative Blatnik, and others who are talking with members of the other body. It gives us the opportunity to bring our thoughts together.

I want the record to indicate at this point that I telephoned yesterday afternoon our colleague, Senator Beall of Maryland, a diligent member of this committee. He had an emergency operation. He is in Sacred Heart Hospital in Cumberland, Md., and his recovery is anticipated in a normal way. I did tell him that all of us on the committee were thinking of him and sent our best wishes.

Is there other comment from the members before we come to our next witness?

Governor, I am sure that Senator Magnuson and Senator Montoya, who was in your State and principal city, remember, as do I the help you gave us on that occasion. This has been reaffirmed again today. It is more than just an ordinary sense of contribution, and I speak of your assistance.

Governor EVANS. Thank you very much, Mr. Chairman. I do appreciate very, very much your patience in rescheduling so I could finish the legislative session and be able to come back and testify. It is really not a sacrifice on my part, it is a real privilege to be able to have an input on this particular program because it is so meaningful and it could be so helpful to our own State and I hope this is of benefit to you.

The CHAIRMAN. Senator Boggs of Delaware, another member of our committee, had hoped to be present this morning. He is conducting a subcommittee hearing on highway safety matters and that is the reason he is not here. There has been a general desire among all of our members to listen to you and to others and to attempt to move this matter.

Thank you.

Governor EVANS. Thank you very much.

(Governor Evans' prepared statement follows:)

STATEMENT OF HON. DANIEL J. EVANS, GOVERNOR, STATE OF WASHINGTON

I welcome this opportunity to appear before this Committee and testify in support of an Economic Emergency Assistance Program. While I had proposed such a program to the Sub-committee on Economic Development when it held hearings in Seattle, it was only when I received the invitation to testify here today that I felt there was real hope for the program in the immediate future. I am encouraged that there may be created a federal government response mechanism for providing needed economic emergency assistance to states and communities experiencing the sort of problems we face in the State of Washington.

As a State we have been in the throes of an economic emergency for over a year. Today there are 160,000 people unemployed in the State of Washington, which is an official estimate and the actual number unemployed may be much higher, whereas two years ago there were only 66,000 unemployed. In the Seattle area, seasonally-adjusted unemployment has increased from 3½ percent in early 1969 to a current rate of about 13 percent. For the State as a whole, that rate has increased from about 4½ percent in early 1969 to a current rate in excess of 10 percent. By almost any criteria, our situation qualifies as an economic emergency.

Our own experience and research in attempting to deal with this problem led to the following conclusions, and to my recommendation to the Sub-committee for an Economic Emergency Program.

1. To be most effective, assistance should be quickly available and designed to the specific needs of the occasion, including those of individuals, government and business.
2. State and local government cannot respond completely to the needs of a true economic emergency such as we face.
3. Necessary assistance is potentially available from a large number of federal agencies.
4. There is, however, no mechanism by or through which this assistance can be provided in a timely fashion.
5. Whereas there is no mechanism to meet the needs of an economic emergency, there is an established mechanism for dealing with natural disasters.

As we have found, and as suggested in the Committee proposal for a National Economic Emergency Act, the problems of a true economic emergency are such that several forms of assistance are necessary. The prior proposal for accelerated public works is but one form of needed assistance. Further, the primary emphasis of that proposal should be on the accelerated construction of those public facilities which relate to the maintenance and expansion of *permanent* employment opportunities. It is not enough to simply accelerate public works. The needs of individuals, government or business which would not directly or immediately benefit from public facility construction must also be considered.

Among the unemployed, both the highly skilled professionals and the lesser skilled, there is a great frustration with the economic system that produces an emergency condition and with the governmental system which seems to lack adequate response and solutions. Clearly there is need for a broad program to provide relief to individuals adversely affected by an economic emergency, for development of employment opportunities to get people off unemployment rolls and public assistance, and for re-establishing the base for longer-term economic growth. Given the broad spectrum of needs and the requirement for quick implementation, we concluded that a program parallel to that of the Natural Disaster Act was required.

In my supplemental statement to the Sub-committee on Economic Development, I responded to Senator Baker's request for further information on the proposal I made for an economic disaster or economic emergency program. The parallel was drawn to the existing natural disaster program and major ingredients for inclusion in an economic emergency program were suggested. I am pleased to note that the proposal which the Committee has put together for discussion here today is very similar to that which we have suggested.

Accordingly, I support the intent and general outline of the proposal forwarded to us by Senator Randolph. There are, however, some differences between that proposal and what we have been developing. The differences relate to the considerations of eligibility, administration, and nature of assistance provisions.

#### ELIGIBILITY

Our belief is that the criteria for eligibility should be sufficiently restrictive as to focus the resources on true economic emergency situations. Further, the major emphasis should be on the 150 "Major Labor Areas" as defined by the U.S. Department of Labor, the boundaries of which generally coincide with Standard Metropolitan Statistical Areas. Entire states should be eligible as they satisfy the same criteria as Major Labor Areas, and other areas as there are specific economic emergency conditions.

##### A. For Major Labor areas or states ;

1. There be an unemployment rate of 6 per cent or more, with the rate exceeding the national unemployment rate by at least 50 per cent on a seasonally-adjusted basis; and

2. There has been or will be a 50 per cent or greater increase in the unemployment rate within a one year period which will be more than temporary in duration.

B. Other special impact areas may be declared eligible when there is a closure or severe curtailment of a major public or private facility or when identifiable public policy actions have or will produce the criteria cited under 1 and 2.

The first criteria differs from the Committee's proposal which requires only that the unemployment rate exceed 6.0 per cent for six of the preceding twelve months. We believe that it is appropriate to take into account the relationship of national economic conditions and to recognize the seasonality factor in unemployment statistics. Our second criteria is essentially the same as the Committee's. Our third criteria would allow for the impact of special events significantly affecting a local area's economy.

In summation, our criteria would be more restrictive and easier to administer, and would we believe, allow a more effective focusing of resources.

#### ADMINISTRATION

In developing a program such as this, I think we should strive to make as many provisions as possible automatic. By this I mean that a declaration of an area should immediately trigger as much relief and assistance as possible without lengthy application procedures and red tape. In making our recommendations we have attempted to identify as many of these automatic responses as possible.

Not all provisions can be made automatic, however, and for this purpose we strongly recommend the designation of a State Coordinator appointed by the Governor who would be responsible for implementation as under the Natural Disaster Act. Further it is necessary to designate a Federal Coordinator who would have the authority to instigate and coordinate the efforts of other federal agencies. Clearly an effective response will require the close cooperation of state, federal and affected area governments.

#### ASSISTANCE PROVISIONS

As stressed above, an effective economic emergency assistance program should contain a variety of provisions which are both relevant and timely in their delivery. There should be provision for both economic relief and economic recovery. In our work we have focused on three categories of recipients of such assistance; namely, individuals, state and local governments, and businesses.

*Individuals*—The most apparent need is for economic relief to those individuals and families directly affected by an economic emergency. Therefore, there should be an automatic triggering of immediate relief assistance to include the following provisions:

##### 1. *Extended Unemployment Compensation*

There is a need for supplementing the incomes of those unable to find employment due to the emergency conditions. This would not only provide relief to those individuals and their families but the additional expenditure would also serve to bolster the economy of the affected area. At a minimum there should be an automatic extension of unemployment compensation benefits for those who have exhausted their regular benefits.

In Washington State we have taken the initiative by providing extended benefits up to 52 weeks at a maximum of \$72 per week. This represents a further extension beyond the basic extension to 39 weeks which is now 50 per cent financed by the federal government.

While our action has reduced the suffering of many of our citizens, it has been accomplished at considerable cost with the result that our unemployment compensation fund reserves will soon be depleted. I think the case is clear cut for federal government assumption of the full cost of such extensions during times of economic emergency.

##### 2. *Rent and Mortgage Payment Assistance*

One of the greatest tragedies of an economic emergency situation is the displacement of families from their places of residence due to financial hardship. Just as under the Natural Disaster Act, there should be provision for the making of mortgage or rental payments for individuals or families subject to dispossession or eviction. Such assistance should become available immediately upon declaration of an economic emergency and should last for the duration of such emergency. In the cases of mortgages, the net federal cost could be limited to the interest costs associated with contract extensions or payment deferrals.

As I understand the Committee's intent, the provisions for extended unemployment compensation and for rental or mortgage payments would be included in a proposed Emergency Economic Assistance Program. In addition, I think the Committee should seriously consider inclusion of another broad category of assistance for individuals. That program category relates to manpower and to provisions for public service employment, job training and re-training, and relocation assistance. Such provisions are desirable both in terms of economic relief and economic recovery.

##### 3. *Public Service Employment*

One of the more productive forms of assistance would be a provision for public service employment. Such a program for unemployed individuals would not only help to maintain income flows and pride, but as well would allow needed governmental tasks to be carried out at a time when revenue sources were decreasing.

I am aware that there have been proposals for a Public Service Employment Program on a national basis, and I would support such a program during times of a national economic emergency. However, at a time when emergencies are more localized, I feel that a Public Service Employment Program should be limited to those areas. As an example of such a program, we have just completed a very successful \$5 million 16-week Employment Supplement Program funded by

the U.S. Department of Labor. This program was restricted to the areas of greatest economic emergency, namely 5 of our 39 counties.

When an area is declared eligible for economic emergency assistance under the proposed act, the responsible state should immediately design an implementation program appropriate to the given local circumstances. This should be done in cooperation with the local governments involved. In our experience, a viable program can be implemented within 30 days, especially if some advance groundwork has been laid.

#### 4. *Job Training and Re-training*

Depending on the nature of the area's economic emergency, special programs should be designed and funds committed for job training and re-training. The state should take the lead in these efforts in cooperation with the Federal Coordinator, U.S. Department of Labor and local government representatives.

#### 5. *Relocation Assistance*

In an economic emergency area there is generally little hope for absorbing the entire labor force in productive employment in the immediate future. Therefore, those who are unemployed should be assisted to find new employment wherever that employment may be found. In some cases, this will require provision of relocation expenses for individuals and families.

Accordingly, the Department of Labor should be authorized and directed to institute a program of relocation to other areas including provision of moving expense costs.

*Government*—As I previously stated before the Sub-committee on Economic Development, I firmly believe that there is a need for Revenue Sharing, both Special and General. Only then can there be a generally stable and predictable flow of funds, thereby permitting more rational programming by state and local government. Further, an emergency situation response can be programmed into Revenue Sharing wherein there is a triggering of incremental funds appropriate to the emergency situation. A designation of an eligible area would result in the provision of supplement block grants in such categories as manpower, community development and rural development. Supplemental grants could be based on predetermined percentages of the regular grants.

In the meantime, there are several actions which can be taken to assist state and local governments, both in terms of short-term relief, and of assistance fostering economic recovery.

#### 1. *Reduction of Non-Federal Matching Requirements*

An economic emergency produces a great strain on many state and local government service requirements at a time when revenues are decreasing. One effective manner in which the non-federal revenues could be stretched further, without disrupting existing categorical programs, would be for a declaration of economic emergency to trigger an automatic reduction of non-federal matching requirements for programs such as those funded by HUD, HEW, DOD and EDA. While there are some existing provisions for variable matching shares, they're often by administrative discretion, require special knowledge by each applicant, and often involve costly time delays. Given the wide variation in non-federal matching requirements, we propose that there be an automatic across-the-board reduction, of perhaps 50 per cent, for all federal programs in the affected area.

#### 2. *Incremental Federal Funding*

In conjunction with the reduction of non-federal matching requirements, there should be supplemental funds allotted for use in the affected area. Either in addition to, or as a partial substitute for supplemental agency funding, there should be a provision for block grants directly related to the economic emergency. These could include:

- A. Public Assistance Block Grants for increases in related program costs;
- B. Public Facilities Block Grants for projects related to the maintenance and expansion of *permanent* job opportunities in the affected area.

The latter block grant proposal appears similar in intent to that contained in the Committee's proposed program.

#### 3. *Technical and Planning Assistance*

EDA or other funds should be allotted to the State Coordinator and to affected local governmental units for purposes of the planning and programming necessary to provide economic relief and to foster economic recovery. These funds

should be in addition to any provided the Federal Coordinator under the Committee's proposal.

#### 4. *General Tax Relief*

In extreme situations there should be a provision for tax relief for state and local governments, as provided with regard to property taxes under the Natural Disaster Act.

*Business*—There are a number of provisions which can be included to assist businesses in terms of survival and to foster local economic recovery. These include:

##### 1. *Investment Tax Credits*

Various forms of investment tax credits might be provided for a stimulus to the creation of new job opportunities through construction of new plants or the expansion or conversion of existing plants. This is a step I have proposed within Washington State which would allow a credit against our business tax in the amount of the sales tax on construction materials. The credit is limited to job-producing investments in economically distressed and slow growing areas. Since the federal government's tax leverage is considerably greater, this could prove to be a significant provision related to economic emergency areas and more generally to the direction of some of our national growth to areas of greatest economic need.

##### 2. *Business Loans or Guarantees*

During times of economic emergency, some businesses find themselves unable to meet outstanding loan commitments due to depressed market conditions. Also, some businesses having good long-term prospects in an area find it difficult to obtain short-term financing. Accordingly, there should be a provision for loans and/or loan guarantees for the refinancing of outstanding SBA, EDA or conventional business loans and for the financing of new loans. This provision appears similar to that contained in the Committee's proposal.

##### 3. *Preferential Federal Purchasing*

The purchasing power of the federal government can be a powerful tool in terms of short-term support for a local area economy. When an economic emergency is declared for an area, there should be a provision whereby bid price differentials or set-asides are established for the duration of the emergency.

#### CONCLUSIONS

State and local governments are severely limited, financially and otherwise, in their ability to respond to economic emergencies. Capital programming can be reviewed and, where possible, accelerated. Lesser priority programs can be reduced or eliminated. Taxes can be increased and short-term measures taken to balance budgets.

Beyond these steps, however, we find that we must turn to the federal government for further assistance. Our experience in this regard serves, I think, to illustrate the need for such a program as is being discussed here today.

Over a year ago, various city, county, and state leaders first approached federal officials to seek assistance in responding to our economic emergency. Further, city, county and state officials joined with the Federal Regional Council in a first-of-its-kind effort to identify what could be done by the federal government. That HELPS task force produced a report directed to the President and the Office of Management & Budget. While the HELPS task force was well received and its recommendations acknowledged as responsible and productive, there has been only moderate response to date.

This is not to suggest that the lack of federal response is the fault of any particular individual or agency, but rather it is a case where the federal government is not now organized to respond. No individual or agency is now in a position to really address such problems. Accordingly, legislation providing emergency economic relief quickly, without excessive red tape, is urgently needed.

I note that if the act we are discussing had been in effect at the time that the State of Washington entered into its economic emergency situation, its provisions would have been triggered as of June of 1970. That is, the entire state, based on its unemployment statistics, would have been eligible as of that date. Were assistance to have been initiated at the time we would not only find ourselves in a much better situation at this time, but we would have expended

substantially less waste motion and energy in attempting to seek assistance when, in fact, there was no real apparatus there to provide it.

The CHAIRMAN. Now we will hear Dr. Werner Z. Hirsch. Dr. Hirsch, we are appreciative of your attention to our invitation and for your cooperation with the committee and for your patience this morning, realizing the development of the testimony of the Governor and former member of this committee and the comments of the two Senators from Washington. We will be delighted to hear you now.

**STATEMENT OF WERNER Z. HIRSCH, PROFESSOR OF ECONOMICS  
AND DIRECTOR, INSTITUTE OF GOVERNMENT AND PUBLIC AFFAIRS,  
UNIVERSITY OF CALIFORNIA, LOS ANGELES**

Mr. HIRSCH. Thank you, Mr. Chairman. I appreciate the opportunity to offer a few comments on the emergency economic assistance program under consideration by this committee.

One of the great issues facing this Nation in the 1970's is to supplement fine tuning on a national basis in terms of fiscal and monetary policy by efforts designed to fine tune our economic activity and growth on a regional basis so that we do not have many regional pockets of unemployment, particularly not, during periods of rapid inflation.

The principle of effectively speeding up select economic assistance during periods of recession is certainly sound. And so is the premise that speedy aid can take various forms, including public works. However, I would suggest that an all-out effort be made to have this economic emergency legislation consistent with the Nation's long-term economic development objectives and procedures. It is my understanding that this committee, in line with substantial testimony given before it in recent weeks, sees that great benefit would accrue to the Nation if we were to establish development commissions and coordinators in each of the 10 Federal administrative districts recently established by Executive order.

Specifically, I visualize that Federal regional commissions and their coordinators would have the joint goals of aiding in the expansion of opportunities for regional economic development—a long-run concern—and assisting cyclically depressed areas to more rapidly adjust and recover—a short-run concern. Both objectives would be pursued within a framework of overall national goals. The Federal regional coordinator would be a powerful Federal official who should have not only the confidence of the President but also access to him. Each regional coordinator would plan and set standards for and monitor the economic development and stability of his region—namely, 10 regions in the Nation—including areas and cities within the region.

Furthermore, each Federal coordinator would review, approve, and coordinate Federal activities and funds assigned to the region. To carry out these functions a Federal coordinator would have a professional regional council of economic advisers, adequately staffed, as well as a staff of program examiners, similar to the budget examiners in the Bureau of Management and Budget. The regional coordinator would seek and obtain advice from within his region. Thus each regional district would have a regional commission composed of Governors, who in turn would appoint a number of intraregional councils

composed of State and local government officials as well as citizens to advise the Federal coordinator. Areas within the region would also have their separate advisory boards.

Finally, the activities of the 10 Federal regions would be coordinated in Washington, and here a number of alternatives offer themselves. There can be no doubt about the urgent need to effectively orchestrate the plans of different regions so as to make them consistent with the national interest. Furthermore, there is need to coordinate programmatic efforts, such as urban renewal, river development, et cetera. Thus, the President might find it attractive to establish, within the Office of Management and Budget, the position of Deputy Director in charge of regional activities. Or a new office could be established in the White House—an Office for Regional Development—just as we have an Office for Science and Technology.

I have taken some time to summarize what I understand to be the direction in which the Congress might want to move in order to establish new instruments for long-term economic development. Personally, I find them very attractive and promising, and therefore would hope that economic emergency legislation would not only be consistent with the planned long-term development legislation but would facilitate the attainment of the ultimate development structure and goals.

More specifically, in connection with the draft bill I would like to suggest that there be:

- (1) A more careful specification of rights, obligations, and purposes, as well as structure, within which Federal aid is made available;
- (2) A more careful specification of the obligations of State and local governments in seeking and using Federal aid; and
- (3) A more detailed spelling out of the responsibilities of the Federal regional coordinator.

With this in mind I take the liberty of proposing for your consideration the following changes in the draft bill:

Section A possibly could be amended to read:

A. The President on the request of the governor and with the concurrence of the Federal regional district coordinator, declares an area eligible for assistance under this section as a state, county, city, or neighborhood . . .

The intent of this change is to provide for more orderly cooperation between State and Federal Government and for a clearer definition of where the power of decisionmaking rests.

Section B might be changed to read, a Federal coordinating officer for each region would be appointed by the President. His tasks would be:

- (1) Make an appraisal of projects for the region most needed and most promising from the standpoint of employment and economic development, to be completed in 30 days after consultation with State and local officials;
- (2) Coordinate administration of Federal economic development efforts in the area;
- (3) Work with the State coordinating officers appointed by the Governors of each State;
- (4) Designate eligible areas under section A in concurrence with the Governor;
- (5) Make project applications in his region and approve submission of applications by State, local or any other eligible organization;

(6) Such other action as necessary to carry out this section.

Section C might be changed to read:

(1) . . . ; projects must have the approval of the Federal coordinator, and if the area is included in an overall Economic Development Plan, they must be consistent with that plan." And to (2) might be added . . . funding must have the approval of the Federal coordinator.

The intent of these changes is to make the Federal coordinator responsible to the President rather than to the Secretary of Commerce, who has a programmatic rather than regional responsibilities; to emphasize a concern with long-term economic development as well as short-term unemployment conditions; and to give the Federal coordinator responsibilities relating to funding applications.

Finally, under D, designate the section, "The Secretary of Commerce \* \* \*" and (1), and add:

(2) The Federal coordinator shall render technical assistance to the states and localities including:

a. Setting standards for and monitoring economic development and stability in the region, state, and eligible areas;

b. Evaluating specific program and project consequences for employment, income, and quality of life;

c. Advising agencies and local governments on program operations, interrelations among programs, interrelationships among areas in the region and to relationships to other regions, on relevant trends in the nation, region, state, and eligible areas;

d. Publication of economic and social indicator reports indicating long-term trends and early warnings of possible downturns.

The intent of this change is to enable the Federal coordinator, through setting standards and providing technical assistance, to provide direction and guidance to State and local government use of Federal aid for economic development.

It is my hope that these proposed changes, which in no way take issue with the foundation on which the proposed legislation rests, will further enhance the chances that this legislation will contribute to rapid economic recovery and long-term economic development. Hopefully, with these changes substantial coordination and acceleration of public works and other select economic aid becomes possible, with much of the ultimate responsibility and approval in the hands of the Federal Government and its regional coordinator, on the one hand, and the Governor and State and local officials on the other. Thus, in the truest sense of the word, a partnership among all three levels of Government is envisioned and procedures are suggested that can facilitate such cooperation. The role, functions, and obligations of the Federal coordinator are spelled out, and yet not in such a detail as to hamstring the operations of the coordinator.

Instead of leaving the coordination in the hands of various Federal departments, it is suggested that all development decisions under this act be ultimately coordinated by a single agency—either existing or new—in the Executive offices of the President.

Finally, instead of permitting the Secretary of Commerce and the Secretary of Labor to designate an area as "eligible," as proposed in the Public Works Acceleration Act of the House of Representatives, the Governor in concurrence with the Federal regional coordinator is given the right to designate an area as "eligible." Here intentionally I suggest that substantial leeway be given to Governor and coordinator

as to the criteria they might want to use. In this manner flexibility would be provided to take care also of such unique unemployment situations as recently have plagued the aerospace industry in parts of Kansas, Washington, California, and other States and which have been so well discussed this morning.

This country has rarely, in the past, considered the benefits that would accrue from a consistent policy of regional economic development. I believe in this respect it has been lagging somewhat behind other countries. It is particularly appropriate that such policies be considered at this time, not only because of the current economic situation but also because enhancement of economic development is so closely related to future improvement in the Nation's quality of life. I would therefore hope that the emergency economic assistance program, that will be passed by the Congress this year and will receive the approval of the President, will combine the following features: Rapid economic impact, consistency with long-term regional economic development, plans and procedures, and sound administrative practices.

Mr. Chairman, permit me to say in conclusion that I consider myself privileged that this committee has given me the opportunity to comment on its draft bill.

The CHAIRMAN. Thank you, Dr. Hirsch. This is a very cogent and complete statement of several points that we will want to consider. I am particularly impressed, not only with the content of all of your statement, but when you speak about the consistent policy of regional economic development that you intend it is. I agree with you, sir, in that regard.

At the time of the passage of our Appalachian Regional Development Act in 1965, I so stated in essence what you have said, believing then that was not legislation exclusive to an area which thrust itself across a mountain country of some 13 States but that throughout the Nation there were challenges to do what we were then doing. I promised on the floor that we here in our committee, hopefully in the Senate, would understand the need to move into these other areas, not thinking in terms of doing something for Appalachia but through this type of program, doing something for all the country just a little later. You have said that for us very movingly and very realistically today.

Now, Dr. Hirsch, in hearings on the natural disaster relief legislation, members of our committee learned that maintaining the cash flow in a community that was hit with the impact of major job loss, it is essential to avoid the downward cycle of depression. That is why we are attempting here to include direct assistance to unemployed individuals in the proposal that we tentatively have brought into being.

Are such forms of assistance vital, in your opinion, Doctor, to the maintenance of a declining economy within a certain area, particularly to the people who live there and must be helped not tomorrow but immediately? Would you comment?

Mr. HIRSCH. Mr. Chairman, I am deeply convinced that the direction that you have indicated is most promising and important. To move away from relying exclusively on public works acceleration and strengthen existing programs that can have a very rapid multiplier effect in specific communities and States, is a step forward and indeed a major step forward.

My hope would be that instead of ending up with a very large number of small areas, each one having a Federal coordinator, provision be made for 10 districts. A single Federal coordinator could then work with Governors and local officials in determining whether or not the triggering has occurred in the district. If so, they very rapidly could make decisions or at least recommendations to supplement funding for existing programs in order to move certain parts of a State out of conditions of major unemployment or even to foresee chances and act to prevent them.

Mr. Chairman, you referred to the fact that a million young Americans will return from Vietnam. It is not as if we could not have foreseen or that we cannot foresee some of the employment problems that we are going to face, be it because of the return of GI's or because of changes of procurement policies of the Department of Defense or of NASA. But the important part is that we lack a good information base and a decisive Federal official in the field who can very rapidly recommend implement and monitor programs that can produce relief.

The CHAIRMAN. Thank you, Doctor.

Do you feel now that that answers my question from the standpoint of how individuals who need to be helped immediately because of the disaster, sudden impact, a deep depression. Can the plan that you are now stating move in because of the one coordinator to bring not only relief but to bring constructive work?

Mr. HIRSCH. I am convinced that it would bring rapid relief and do so efficiently. And it would produce relief that has a major multiplier effect not only in restoring confidence but also in increasing the purchasing power of those pockets of unemployment be they regions or industries.

The CHAIRMAN. Thank you very much.

Senator Montoya.

Senator MONTOYA. Thank you again, Dr. Hirsch, for your very splendid testimony. Your testimony in Los Angeles was indeed very worthwhile and very constructive.

You suggest that instead of the Secretary of Commerce and Secretary of Labor coordinating in the decision to designate an area as eligible as we have it under the existing law, that the Federal regional coordinator be the one who should be given the right to designate such area as eligible.

How do you reconcile this with the recommendation that each region orchestrate its planning consistent with the national interest, and what criteria would you suggest that we include in the act as the triggering device for the Governor and the Federal coordinator to act upon?

Mr. HIRSCH. Senator, you have separated what I consider to be two terribly important stages. One is the designation of eligibility and the other one is the approval of very specific programs once an area has become eligible. I believe that the criteria for eligibility that are in the draft bill and that have been discussed today are likely to prove sufficient in order to bring about a rapid and clearcut decision whether or not a certain area is eligible both in terms of employment conditions and in terms of anticipating major employment changes.

Senator MONTOYA. Perhaps, Dr. Hirsch, I should ask you to direct yourself to the practicality of continuing the requirement of underemployment or unemployment as one of the basic criteria for desig-

nating an area as eligible. Is that practicable in light of other areas in the periphery also having unemployed people and businesses suffering from economic adversity but not coming under the percentage criteria in the existing act?

Mr. HIRSCH. This morning Senator Tunney referred to and gave a very telling example of the needs to broaden the concept of unemployment levels by geographic unit, be it county or whatever jurisdiction, to include also unemployment levels in particular industries. I would strongly favor broadening this particular concept in this direction.

The second broadening hopefully would take place by not waiting for unemployment to reach a 6 percent level, but to act if it is expected that, let us say, the aerospace industry or the shipbuilding industry will face unemployment levels of, let us say, 6 or 7 percent within 6 months, resulting from decisions that have really been made already by the Congress or by executive agencies. These triggering devices would be sufficient to make an area eligible subject to the concurrence of Governor and coordinator.

Senator MONTGOMERY. The point I want to make is this. You espouse broadening the concept of regionalism as exemplified by Appalachia to the entire country. But if we have certain criteria that limit the local effort only to those areas that have certain levels of unemployment and underemployment then can we justly say that the entire area will receive the thrust of regional effort?

Mr. HIRSCH. I thought that we were discussing the first step, namely the eligibility criteria, trying to establish those conditions under which the area was eligible for aid. Now the next step comes, and here is where one could orchestrate, integrate and take the larger national view. Let us assume that you will end up within 30 days, with a total bill of \$3 billion from the 10 Federal coordinators.

It is here then—that is in the executive branch of the Government—where you would make priority decisions as to which of those proposals are most valuable in terms of meeting the local need and be consistent with the national interest. It was with this in mind that I took the liberty of proposing that there will be strong coordination within the executive branches of the Government.

Senator MONTGOMERY. We have certain areas affected by many economic factors, some by one predominant factor. I mention this because these factors bring about the economic ills that afflict many communities that suffer from unemployment; for example, depletion of natural resources. That is one factor.

Import competition is another factor that has affected certain areas of this country, another is regulatory policy on the part of Federal agencies. Included in this are the effects of pollution control. There is obsolescence which causes the loss of employment due to the discontinuation of economic activity resulting from a change in consumer tastes, technological progress, product improvement, changed economic conditions or, legislation. Then there is technological unemployment with the replacement of labor by machinery and improved labor methods of production. Finally, there are Government decisions—that is, the loss of employment due to the termination or reduction of Government procurement contracts. Do you agree that these factors should

play an important part in the criteria that we might specify and delineate as triggering devices for economic thrusts under a meaningful Economic Development Act?

Mr. HIRSCH. I wonder, if you have a dozen different criteria as triggering devices whether you will not lose both speed and precision.

Senator MONTOYA. I don't say that we should have all these criteria coinciding with each other, but that we should ask that these criteria be considered as elements for the triggering of economic development in the area under the concept that we might engender in this legislation.

Mr. HIRSCH. I wonder whether you would not want to consider to use these criteria very stringently in the second step, namely in the evaluation and ranking of eight proposals out of the region instead of using all of these criteria to declare areas as eligible.

Senator MONTOYA. Let me ask you this in light of your answer or in light of the question. Do you perceive the unemployment requirement as a necessary ingredient before triggering economic development activity through the Federal Government in a particular area?

Mr. HIRSCH. Yes, sir.

Senator MONTOYA. Do you consider that necessary?

Mr. HIRSCH. Yes, sir; both in terms of region and industry.

Senator MONTOYA. Now what are you going to do with the unemployed people in the bordering area which does not qualify? Do you feel that assistance should be confined to counties qualifying under the present law or to economic development districts?

Mr. HIRSCH. Well, you catch a few because you also use the industry criterion of unemployment.

The other part would be that as you help one county that has 7 or 8 percent unemployment, you will generate side effects that spill over into the other county that also has long-term problems. Since the amount of money that Congress will vote into existence is going to be limited, you would want to be sure that you do not end up with almost every county in America declared eligible. Should that happen, you will have so little money for any one county that you cannot hope to do much good anywhere.

Senator MONTOYA. Well, the thing I am concerned about is making statistical orphans of people in counties that do not come up to the 6-percent requirement.

Mr. HIRSCH. Yes; and I hope I am not overstating and overpleading the importance of decentralizing Federal activity. If you have a situation of that sort, the regional coordinator and his commission should be very sensitive to it and they should be able to respond with great flexibility.

Senator MONTOYA. This is the thing that troubles me because every Governor who testified before our committee wanted to throw away the 6-percent requirement because of the very points that I brought out. That is why I brought them out in this dialog because every Governor who testified said that the 6-percent requirement of unemployment would penalize other counties such as I have mentioned.

Mr. HIRSCH. I am very sympathetic to this view of a Governor, but I would feel that instead of starting out with very imprecise criteria, it might be better to legislate a criterion of 6 percent with a regional

and industry dimension and then permit the judgment of Governor and coordinator to include special situations.

Senator MONTÓYA. All right. Now in addition to this criteria, what other criteria would you suggest be provided in the law.

Mr. HIRSCH. Well, it would be my hope that the emergency legislation would be written in such a manner that a substantial information system would be generated in States and in these 10 regions. I look upon Appalachia as an experiment where a tremendous amount of learning has taken place, we can now apply on a larger scale to the Nation as a whole. Again, I would hope that the initial legislation would be sufficiently open ended so that after 2 or 3 years we would have learned from the new experience and then amend the legislation. I do not believe that it would be easy at this moment to produce many other precise triggering criteria.

Senator MONTÓYA. Thank you, Doctor.

The CHAIRMAN. Thank you, Dr. Hirsch.

Senator Cooper.

Senator COOPER. I have no questions, Dr. Hirsch. I just want to say I am sorry I had to leave but I did read your testimony before I left and found it very informative.

The CHAIRMAN. Thank you, Senator Cooper.

I appreciate the colloquy of Senator Montoya and yourself, Dr. Hirsch, as we attempt to bring these matters into focus. We are going to cope with them in the next few days. We discover the pressure of time here with the Appalachian Act authorization ending on June 30.

Senator Tunney, we are delighted to have your colleague from California testify and I am sure that you and he will want to talk together and help the committee in further exploring possibilities under his thinking.

Senator TUNNEY. Thank you very much, Mr. Chairman.

I am very grateful to you to have invited Dr. Hirsch back here to testify on the draft bill that the committee is considering. I have come to deeply respect Dr. Hirsch's knowledge of problems involved with economic development and the almost olympian viewpoint that he has regarding the need for structural changes in the present programs.

I noted in your testimony, Dr. Hirsch, that you were mainly dealing with overall economic development and didn't get into the area of specific assistance to the jobless and to the unemployed. I had a brief colloquy with Governor Evans regarding specific assistance that could be given to those men who are thrown out of work as a result of governmental decisions regarding procurement or cutback in employment in Federal installations. I know you heard that.

What is your opinion with respect to giving assistance to the unemployed on a functional basis when they are in an industry that is seriously affected by the Government decisions?

Mr. HIRSCH. Senator Tunney, I would think that moving in the direction proposed by you would indeed improve the chances of this emergency legislation proving more effective. As you pointed out earlier today if one uses merely a geographic criterion, one might leave many people and industries without help. With this in mind, in response to a question by Senator Montoya, I suggested that the unemployment rate be related to two dimensions, not only a geographic one but also to a specific industry dimension as well as an anticipation

criterion be used. Possibly the anticipation criterion should involve a slightly higher percentage of unemployment.

Let's assume that you would say 6 percent unemployment in a county and/or industry. Let's say 7 percent anticipated in a particular industry within 6 months based on the knowledge that we do have as to procurement policies and phase out and so on.

Senator TUNNEY. What would be a percentage anticipated in an industry that would trigger the benefits under the proposed legislation?

Mr. HIRSCH. This will depend somewhat on how you define an industry. To the extent that you have a very narrow definition of an industry, you can get very high levels of unemployment for relatively short periods. But if you would, for example, define all ordnance as an industry, 6 percent, surely would not be a high percentage. Even if you would define all aerospace as an industry, 6 percent would not be a high percentage. But if you define it in terms of airframe construction, then you would want to use a slightly higher percentage figure.

Senator TUNNEY. What would you think of the criteria reading something like this: Substantial unemployment has occurred. This is imminent as a result of the decisions respecting Federal procurement, Federal installations, Federal actions, and the activities of the facilities of Federal contractors, including some contractors without regard to an economic life in the area or neighborhood which has been or will be disrupted. Do you think that a figure of 6 percent would be adequate under this set of criteria?

Mr. HIRSCH. Subject to a very specific definition of industry, the answer would be affirmative. I have not given this enough thought but I do believe that you would want to decide whether to use a two-digit SIC industry or a four-digit SIC classification or even a subset of a four-digit SIC classification. So I think one might want to worry a little bit about specifying the nature of the industry.

Senator TUNNEY. You will help me reach a decision on that because I think it is important to include this type of language in this bill. In California we have desperate need for help on a function basis rather than just in an area, so I hope that you will be able to help me arrive at some language that you felt was adequate.

Mr. HIRSCH. I would be glad to do so, Senator.

Senator TUNNEY. We heard in the hearings that capital infusion and creation is a problem. Do you think that this is something the legislation should deal with, and if so, how?

Mr. HIRSCH. I am afraid I was not present when this particular testimony was given, so I seem to be somewhat uninformed. I am not sure I can reply.

Senator TUNNEY. Well, let's assume that we are talking about moving capital into an area with substantial unemployment. As I gather it from your testimony you feel that the criteria should apply not to the decision of whether or not the capital should move in but that the criteria should apply as to how it is to be utilized in the area. Is that correct?

Mr. HIRSCH. That is correct. By the way, I would argue this not only in relation to the decline but also to excessive growth. I believe this morning Governor Evans made a very eloquent plea for, at least

in my mind, some help that could have been given to his State 4 years ago when excessive capital investment took place in this State.

Again I think here the cooperative effort between private industry and a Federal coordinator could have some advantage both toward procurement policy and private industry decisions not to create a situation of hyperinflation. So, yes; I would feel that in both directions guidance as to the use and the flow of capital and merely guidance in terms of indications of implications, no veto, would be very much in order.

Senator TUNNEY. Well, thank you very much, Dr. Hirsch. I think your statement is most helpful. I just hope that within the press of time we are under, we will be able to incorporate some of your ideas into this legislation.

I could not agree with you more than that there is a need to have fewer Federal coordinators and I think that 10 on a national basis is about right. But, on the other hand if you have a Federal coordinator for each locality that is designated as an economic disaster area, you could have a proliferation of Federal coordinators that could be a disaster in and of itself. So I think that that statement is most helpful.

Thank you very much for coming in from California.

Senator COOPER (presiding). Senator Randolph asked me to say again how much the committee appreciates your coming here as a witness, Dr. Hirsch. I know even in the short time I was here listening to you, hearing the exchange of questions and answers between you and members of the committee, that your presentation has been very valuable to us.

So I will declare the meeting ended subject to any decision made by the chairman for renewal.

The CHAIRMAN. Thank you again.

(Whereupon, at 12:13 p.m., the committee adjourned.)

(The following communications were received for inclusion in the record:)

AMERICAN FEDERATION OF LABOR AND  
CONGRESS OF INDUSTRIAL ORGANIZATIONS,  
Washington, D.C., May 11, 1971.

HON. JENNINGS RANDOLPH,  
Chairman, Senate Public Works Committee,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We regret that a meeting of the AFL-CIO Executive Council makes it impossible for us to testify at your hearing on May 12 to discuss an alternative to provisions in the House passed version of S. 575, which would revive the Public Works Acceleration Act.

We believe that the alternative proposal has merit but that it should be considered separately at an early date. We would be pleased at that time to direct our attention to the specific provisions of the proposal. We further believe that the proposed alternative poses possibly insurmountable parliamentary problems. S. 575 as passed by the House is purely a public works program and therefore not subject to the introduction of new material.

Opponents of Title I of the House passed bill focus on the allegation that the pace of a public works program is too slow to have the immediate impact on the economy that is needed to relieve unemployment. For justification they point to the working of the the 1962 Act. We do not agree with their pessimistic evaluation, either of the 1962 Act, or of the current situation.

The 1962 Act was signed September 14, 1962. By June 30, 1964, some \$860 million had been invested in more than 7700 public works projects. These projects were located in about 1,000 counties in the 50 states and 3 territories. The projects generated approximately 210,000 man-years of on-site and off-site employment. By the end of the first year, 6,811 projects had been started or were completed.

The situation in 1971 differs from that of 1962 because there is now available a considerable body of experience which was not available in 1962. In addition there are several billion dollars of planned and blueprinted public works projects which would be eligible for accelerated public work grants. After nearly two years of federal efforts to hold down public investment outlays the present backlog for needed projects is huge. It is our understanding that there were at the end of 1970 about 3,000 applications for federal approval for waste treatment plants, 800 applications for water and sewer projects, 1,900 applications for hospitals and public health centers, in addition to hundreds of other state and local projects that have been planned and blueprinted. A large number of these projects would be eligible for accelerated public works grants and their implementation can be speeded up.

The accelerated public works program would create about 170,000 badly needed jobs within the year in on-site construction and in the production and distribution of construction materials. As the additional employee incomes and business profits are spent, there would be a multiplying boost to production and employment—with an additional job increase of about 250,000 or more. The overall impact of such measure could increase employment by as much as about 420,000 jobs.

The proposed program offers a great opportunity to invest in America's future by building needed projects and at the same time furnishing badly needed employment.

Enclosed is a copy of our testimony before the House Committee on Public Works which we would appreciate having inserted in the hearings, along with this letter.

Sincerely,

ANDREW J. BIEMILLER,  
*Director, Department of Legislation.*

STATEMENT OF GEORGE MEANY, PRESIDENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, I am happy to appear before this Committee, on behalf of the AFL-CIO, to support a public works program that will create jobs by helping to meet the needs for public facilities.

We heartily endorse the concepts of H.R. 5376, to provide \$2 billion of federal funds to accelerate public works construction and repairs in areas of high unemployment. We certainly also endorse the extensions of the Public Works and Economic Development Act of 1965 and the Appalachian Regional Development Act.

The bill's proposed accelerated public works program would provide federal grants to state and local governments to initiate and speed-up public investment projects in areas that have been hit by substantial unemployment—to build and repair public facilities that are needed by the American people, such as waste treatment plants, water supply and sewer systems, health-care and recreational facilities and public buildings. We suggest a provision to include federal agency projects in the bill.

It would create jobs on the construction sites in areas of high unemployment and in the production and distribution of building materials throughout the country. It would create additional jobs, as the newly-hired workers spend their earnings. It would provide the entire national economy—and particularly, those localities with mass unemployment—with a needed lift.

There were 5.4 million unemployed in February according to the Labor Department's most recent report—or 5.8% of the labor force, after accounting for seasonal changes. That is two million more than a year ago and 2.5 million more than in February 1969.

Over a million people were jobless for 15 weeks or more and the Labor Department's public release declared: "At 455,000 (seasonally adjusted), the number of persons unemployed 27 weeks or more was at its highest level since September 1964."

Unemployment rates were up to 11% for construction workers, 9.6% for Negroes and 6.8% for factory workers.

These conditions, which have affected all parts of the country, are particularly bad in the 45 major industrial localities, and 634 small urban and rural areas, which the Labor Department reported as areas of substantial unemployment in February. According to the government agency's report, these are areas, in which 6% or more of the labor force are jobless, after accounting for seasonal

changes, and where the unemployment rate is expected to remain at 6% or more during at least the next two months.

Equally disheartening is the Labor Department's report that the total number of workers on payrolls in February was no greater than in September 1969, nearly 1½ years before. And many of these workers, who are fortunate enough to be employed, are compelled to work short work-weeks, as a result of production cutbacks.

Even after the re-bounce from the effects of the auto strike, industrial production is less than it was last summer and at about the level of 1968.

Yet there is no solid evidence of a substantial pick-up in sight. There is no sign that the economy is turning around—or about to turn around—from recession and stagnation to a rapid upturn of sales, production and employment.

Since industry is now operating at less than 75% of its productive capacity, business outlays for new plants and machines are levelling off—which means a decline in the real volume of business investment, after accounting for increased prices.

The expected large increase of consumer spending, which accounts for nearly two-thirds of total national production, has not materialized since most families have found their buying power declining. Until employment, workers' buying power and consumer confidence turn up, no major boost of consumer spending can be expected.

The only parts of the economy that are expanding rapidly, now, are home-building and the activities of state and local governments, which naturally respond to the improved availability of credit at lower interest rates. However, the combined advance of these two parts of the economy is far from enough to carry forward a trillion dollar national economy at a rapid pace. As a result, a continuing trend of high unemployment threatens workers and entrants into the labor force, including the increased numbers of returning GI's.

In the face of these developments, an immediate and substantial government stimulus is needed at this time of cuts in defense production and in the size of the Armed Forces to lift sales and production enough to provide the growing number of jobs for the unemployed and the expanding labor force.

But the Administration's new "game plan" is based on optimistic rhetoric and wishful thinking, rather than specific measures and programs. It seems like an Administration attempt to revive the long-forgotten advice of the French psychologist of the 1920s, whose remedy for troubled patients was that they should keep repeating: "Every day, in every way, I'm feeling better and better."

The Administration has set forth a target of a 9% increase in the gross national product in 1971 and a nearly 12% rise between the October-December quarter of 1970 and the same quarter of 1971. But it has not revealed how this forecast is to be achieved. The reality seems to be continued economic stagnation, combined with Administration rhetoric about rapid expansion and actual measures of mini-expansion.

In a recent speech, the Administration's former assistant director of the Budget Bureau, Dr. Maurice Mann, had this to say:

"It is an open question as to whether the federal budget for fiscal year 1972 is as expansive as has been suggested . . . the budget is in effect essentially neutral in fiscal year 1972 . . ."

"We are now being treated to a double-barrelled 'blackbox' approach—after fixing budget expenditures at full employment revenues, all we have to do is pour enough money supply in one end of the box and somehow—in some form—enough additional GNP comes out the other end."

Mr. Chairman, I believe that a growing supply of money and credit, at reasonable interest rates, is essential. But equally essential are specific measures to boost sales, production and employment. And that is what this Committee is now considering—a specific measure to stimulate economic activity.

Idle men and machines should be put to useful work, adding to the public investment of federal, state and local governments in facilities that are urgently needed.

Let me briefly outline what we think should be contained in an immediate public works program:

1. A \$2 billion program should be established to accelerate public works construction and repairs in areas of high unemployment.
2. The funds should be made available to initiate or step-up direct federal programs, as well as provide no less than 80% grants to state and local governments to initiate or accelerate their public works efforts.

3. Areas eligible for such assistance should be those, which the Secretary of Labor determines are suffering from substantial unemployment and those which the Secretary of Commerce designates as redevelopment areas.

4. Only those public works programs which meet an urgent public need and which can be initiated or accelerated, within a reasonably short period of time, should be eligible.

5. Public works efforts, under this program, should represent a net increase in the total expenditures for capital improvements by the federal agency, state or local government.

6. We recommend that the Committee examine the feasibility of setting aside a small portion of the \$2 billion for loans to state and local governments to help those that need assistance in providing the 20% requirement for accelerated public works undertakings.

7. Work performed under this program should be paid at least the prevailing wages, under the terms of the Davis-Bacon, Walsh-Healey and McNamara-O'Hara prevailing wage acts for work on federal projects. This principle of prevailing wages is essential to assure that work for the federal government is not based on exploitation of workers. We certainly do not believe that the suspension of the Davis-Bacon Act, by Presidential order, is in the best interest of the American people. We hope that this committee will again endorse the principle of prevailing wages and thus inform the President that it disapproves of his action.

Such program would give tens of thousands of jobless people in unemployment-stricken areas an opportunity to go back to work, building and repairing public facilities of long-term worth. It would add to employment in industries across the country, which produce and distribute building materials. It would add to consumer buying power.

A \$2 billion federal program, along these lines, could result in a total increase in public works expenditures of about \$2.2 billion or more, including the 20% additional funds from the state and local governments.

It would create about 170,000 or more badly needed jobs within the year, in on-site construction in areas of substantial unemployment and in the production and distribution of construction materials, such as steel, lumber, cement and equipment. As the additional employee incomes and business profits are spent, there would be a multiplying boost to production and employment—with an additional job increase of about 250,000 or more. The overall impact of such measure could increase employment by as much as about 420,000 jobs.

The creation of these jobs, under such a program, would not be a boondoggle. There is not a single "leaf-raking" project in this proposal. Every project helped by this program would add to the nation's wealth.

There are rapidly multiplying needs for every kind of public investment. There are thousands of planned projects that are ready to go, as soon as funds become available—particularly at this time, after nearly two years of federal efforts to hold down public investment outlays. The present backlog of such projects is huge.

It is our understanding that there were at the end of 1970, about 3,000 applications for federal approval for waste treatment plants, 800 applications for water and sewer projects, 1,900 applications for hospitals and public health centers, in addition to hundreds of other state and local projects that have been planned and blue-printed. A large number of these projects would be eligible for accelerated public works grants and their implementation can be speeded up.

In addition, there are several billion dollars of planned and blue-printed federal public works projects. Many of them, too, would be eligible under an accelerated public works program.

Let us not permit these planned projects to be delayed for additional months and years. Let us quickly take these plans off the shelves and put them into operation.

Such an immediate program would be a powerful weapon against the stagnation of the national economy. It would be an investment in America that would pay for itself in improved public facilities, additional jobs, increased family incomes, and reduced unemployment insurance payments.

The time for action on this measure is now. I hope that this Committee and both Houses of the Congress will act without delay.

CHAMBER OF COMMERCE OF THE UNITED STATES,  
Washington, D.C., May 7, 1971.

Hon. JENNINGS RANDOLPH,  
Chairman, Committee on Public Works,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Mr. Arch Booth has asked me to respond to your telegram of April 29, 1971, addressed to him and National Chamber President Archie Davis, inviting this organization to testify on May 12, 1971, before your committee on an Emergency Economic Assistance Program being suggested as an alternative to revival of the Public Works Acceleration Act, Title I of S. 575, as passed by the House of Representatives.

We appreciate your invitation and have carefully studied the basic provisions of the Emergency Economic Assistance Program, as set forth in your telegram.

Because of the far-reaching significance of these provisions, the National Chamber would not have time to give them proper study by the time of your hearings, and be prepared to testify. We would think, too, that your committee should take more time to consider this emergency program.

Accordingly, it is our sincere hope that the Conference Committee which will meet on S. 575 will postpone action on the Emergency Economic Assistance Program—and also reject Title I of S. 575, the Public Works Acceleration Act. This would pave the way for the Emergency Economic Assistance Program to be given thorough consideration by the Congress through the traditional legislative processes involving full hearings and floor debate.

The National Chamber shares your concern for problems facing many Americans in economically distressed areas. This is why we do not oppose continuation of the Appalachian Regional Commission. This is why we supported legislation, enacted by the last Congress, establishing a permanent federal-state program of extended benefits for workers who exhaust their regular state unemployment compensation payments during periods of high unemployment. This is also why we have urged Congressional support of last year's Manpower Training Act—and this year's Special Revenue Sharing Program for Manpower, which provides triggering authority to the Secretary of Labor for special assistance to economically distressed areas, and also provides improved manpower training programs.

It is because we share your concern about economically depressed conditions that we are supporting plans for accelerated depreciation to help business expand and create jobs more rapidly. For the same reason we support the 235 and 236 home ownership and rental programs. And the National Chamber also places high priority on reform of our welfare system along the lines suggested by Representative Al Ullman in his Rehabilitation, Employment Assistance and Child Care Program (H.R. 6004).

As for accelerated public works, we oppose this as a means of helping depressed areas, largely because evidence indicates that it takes at least two years, on the average, for a program of accelerated public works to begin having an impact on employment.

The provisions of the Emergency Economic Assistance Program outlined in your April 29 telegram raise a number of questions that should be explored carefully before such a program is enacted, and suggest the need for more complete hearings. To illustrate:

To what extent would making "neighborhoods" eligible for assistance under this program duplicate programs already available, such as Model Cities and various community action programs? Depending on the definition of "neighborhood," would there not be such eligible areas in nearly every community in the country?

To what extent should the government subsidize non-profit and profit-making organizations for job creation? How would such subsidies affect competition in the market?

How can people in economically depressed areas be best helped: Through subsidies that maintain an artificial economy or maintain people—or through efforts to train, educate and help people relocate to where economic conditions are better?

How would a new income maintenance program for unemployed people in designated areas relate to existing welfare programs and to efforts now being made by the Congress to reform welfare? What effect would it have on the federal-state extended benefits program recently enacted?

Would rent or mortgage payments under the provisions of the Emergency Economic Assistance Program duplicate or supplement similar provisions of housing laws?

In addition to questions such as these, the proposals also raise questions relating to current fiscal policies. In an attempt to control inflation, but at the same time stimulate the economy, the Administration has introduced a so-called "Full Employment Budget." To pay the additional costs for an Emergency Economic Assistance Program, as outlined in your telegram, it would likely be necessary either to raise additional taxes, or to accept additional inflationary pressures.

For these reasons, we do hope that the Conference Committee on S. 575 will reject Title I—but not substitute for it the Emergency Economic Assistance Program until the Congress can give the provisions of this program the careful study and attention they deserve.

Cordially,

HILTON DAVIS,  
*General Manager,  
Legislative Action.*

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STATEMENT OF THE NATIONAL LEAGUE OF CITIES AND THE U.S. CONFERENCE OF MAYORS

The National League of Cities and the U.S. Conference of Mayors support passage of a program of accelerated construction of public works.

Money made available to communities beset with severe unemployment problems would provide a vital new breath of resources to local communities, creating jobs for the unemployed and building public works which are badly needed but have been put off because of the local financial crunch.

The level of funding necessary to fill the need should be \$2 billion.

The change in the basic Federal share of project costs from 50 percent, as provided under the present law, to 80 percent under the proposals now under consideration, with full 100 percent federal funding in cases of local or state financial incapacity, is crucial. It will permit participation by many communities which would be cut out if they were required to pay one half of project costs, or even 80 percent. Some cities have exhausted their capacity to raise taxes, yet unavoidable increases in costs for city services continue. Raising any money—even a 20 percent contribution—for new projects is extremely difficult, but a city's poverty should not be a bar to its participation in this program.

Past experience has shown local governments best able to respond to an accelerated public works program in the manner intended by Congress fast and efficiently. Local governments have the capacity to move proposed projects off the shelf and into reality, and assuring that those projects will be directed toward maximizing returns for the greatest good, consistent with the recognized urgency of maintaining the viability of our cities. The National League of Cities and the U.S. Conference of Mayors urge that funding for any accelerated public works project go to the local government directly.

Diverting money through state governments would only add further delays and might result in diversion of funds away from most urgently needed programs.

This legislation is under consideration at a most appropriate time. Currently, according to the manpower administration, 52 of the 150 major labor areas are experiencing substantial unemployment: a terrible tragedy in this nation of plenty.

It is at the local government level that the effects of unemployment, inflation and other economic problems are most sorely felt. It is there that the desperate lack of funds is preventing the alleviation of these problems.

Mayors don't have the luxury of being able to go out of business if their problems are too great—nor can they cut out costly activities merely because they fail to produce enough revenue to support themselves.

Mayors must continue to supply services as best they can, even though the services are grossly inadequate. When they do cut, it is capital facilities—the public works programs—which are often the first to go, although they may be desperately needed.

The city of Detroit, Michigan will serve as a concrete illustration.

It is getting through the current fiscal year by means of a series of last ditch emergency measures.

Detroit has laid off some 539 city employees.

It has not filled some 2,000 positions which have become vacant.

It has passed an excise tax on utility bills.

It is selling off land which is owned by the city and which has a far greater intrinsic value to the city than the price it is going to get for it.

It has curtailed services to the taxpayers.

It has increased the real property tax to the legal limit.

Detroit has postponed essential programs which might have reduced crime or might have diminished the use of narcotics or might have provided better service in their municipal hospital.

Obviously, these are precisely the wrong things to do in a period of economic decline. But these are steps that must be taken in Detroit, New York, Wichita, Cleveland, Boston and Seattle and other cities forced to make big cutbacks because of the decline in the economy.

Our country needs to achieve the existing commitment to full employment so that those capable of employment will not be relegated to the public dole, as the New York Times recently showed is happening in New York City.

For most persons, job opportunities could result from a Federal policy of economic growth. For others, there is a need for job training. For still others, there must be a public employment program.

The human suffering and hardship reflected by the recently announced 6.1 percent jobless rate cannot be measured statistically. Something must be done. We can put people to work if funds are available to construct the projects the cities have delayed because of fund shortages.

Nationally, while exact statistics are difficult to gather, we know that many urgently needed local public works projects are waiting on the shelf, needing only dollars and willing workers to make them a reality. A National League of Cities and U.S. Conference of Mayors study presented to this committee in February indicated that the Nation's cities believe that projects costing \$33 to \$37 billion are needed in the next few years to abate pollution from municipal sewage. A program of accelerated public works can greatly aid this clean water effort. Beyond pollution control we know of other areas of great need which have developed because of difficulties States and localities have faced in selling bonds for needed public works. The Weekly Bond Buyer for May 10, indicated that nearly \$4.7 billion in local projects have failed to receive financing over the past two years because of the poor condition of the municipal bond market.

The situation is equally severe for those workers who would be the beneficiaries of accelerated public works. There is significant unemployment now being experienced by construction workers, both skilled and unskilled. This unemployment is particularly severe when compared to other industries, or when compared, overtime, within the construction industry itself. (See attached table).

Public works projects are on the shelf, ready for the financing to enable them to begin. Workers are now going on welfare who would be immediately employed under accelerated public works programs.

The National League of Cities and the U.S. Conference of Mayors urge you to pass an accelerated public works program at a \$2 billion level of funding.

#### ATTACHMENT

1. Among blue collar workers in the construction industry, the number of skilled workers has shown a slight increase, while the number of construction laborers has declined.

	Total (thousands)		Male, 20 years and older		Female, 20 years and older		Male, 16 to 19 years		Female, 16 to 19 years	
	January 1971	January 1970	January 1971	January 1970	January 1971	January 1970	January 1971	January 1970	January 1971	
Craftsmen and foremen:										
Carpenters.....	791	787	758	773	13	18	13	13	2	13
Construction craftsmen, except carpenters.....	1,790	1,779	1,747	1,733	2	41	36	36	2	36
Nonfarm laborers.....										
Construction.....	659	694	580	603	2	77	90	90		90

Source: Table A-18, "Employment and Earnings," February 1971.

1. Among blue collar workers, skilled workers has shown a sharp decline. The National Bureau of Economic Research reports that the number of skilled workers has declined.

2. The number of unemployed construction craftsmen has doubled in one year. There are approximately one-third more construction laborers out of work in January, 1971 than in January, 1970.

UNEMPLOYED PERSONS BY OCCUPATION OF LAST JOB

	Thousands of persons		Unemployment rates—Total	
	January 1971	January 1970	January 1971	January 1970
Carpenters and other construction craftsmen.....	375	186	12.7	6.8
Construction laborers.....	241	164	26.8	19.1

Source: Table A-10, "Employment and Earnings", February 1971.

3. Unemployment in the construction industry has maintained the same distribution relative to other industries. However, the rate of unemployment for the construction industry has remained double the national average; the rate of unemployment within the construction industry itself has increased substantially in the last year.

UNEMPLOYED PERSONS BY INDUSTRY OF LAST JOB AND SEX

	Percent distribution		Total		Unemployment rates			
					Male		Female	
	January 1971	January 1970	January 1971	January 1970	January 1971	January 1970	January 1971	January 1970
Total.....	100.00	100.00	6.6	4.2	6.4	3.9	6.8	4.8
Construction.....	12.7	12.7	17.6	11.8	18.3	12.2	5.4	5.0

Source: Table A-11, "Employment and Earnings," February 1971.

## MAJOR UNEMPLOYMENT INDICATORS, SEASONALLY ADJUSTED UNEMPLOYMENT RATES, 1970

	January 1971	December	November	October	September	August	July	June	May	March	February	January
Private wage and salary works.....	6.4	6.6	6.2	6.0	5.8	5.5	5.5	5.2	5.2	4.6	4.2	4.0
Construction.....	11.2	11.8	9.1	11.7	12.7	11.8	10.8	10.6	12.0	8.1	7.9	7.3

Source: Table A-33, "Employment and Earnings," February 1971.

4. The index of aggregate weekly man-hours and payrolls in construction had declined sharply, with January, 1971 seeing construction man-hours below the total industrial and construction activities total index.

(1967 equals 100)	January 1971	December 1970	November 1970	January 1970	December 1969
Man-hours:					
Total.....	90.4	94.5	93.1	97.6	103.8
Contract construction.....	84.1	98.1	100.4	98.6	105.1
Payrolls:					
Mining.....	119.3	125.9	125.7	115.8	119.7
Contract construction.....	111.8	129.5	132.6	108.0	128.6
Manufacturing.....	112.8	114.7	109.8	115.8	120.5

Source: Table C-6, "Employment and Earnings," February 1971.

5. The seasonally adjusted average unemployment rate for private wage and salary workers in construction has been steadily increasing over the past year; the average rate for 1970 showed a 50% increase from the preceding year; the first increase in the average seasonally adjusted unemployment rate since 1961 (just before adoption of the 1962 Public Works Acceleration Act).

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
1948.....	7.8	8.9	8.9	8.5	8.2	8.1	7.5	9.3	9.2	9.7	10.2	9.5	8.7
1949.....	10.5	11.3	13.8	12.6	15.5	15.1	17.8	16.0	14.0	14.8	14.9	16.3	13.9
1950.....	15.1	14.1	14.5	13.3	12.3	12.1	11.1	10.4	11.0	8.8	10.0	9.0	12.2
1951.....	8.2	8.5	7.0	5.3	5.3	7.1	7.4	7.2	7.3	7.5	8.0	7.1	7.2
1952.....	7.2	7.2	7.2	6.9	6.8	7.0	6.7	7.0	6.1	6.2	5.8	6.0	6.7
1953.....	6.6	5.8	6.1	6.2	6.4	7.0	7.6	7.8	9.0	8.2	8.4	9.0	7.2
1954.....	10.2	11.7	12.2	14.0	14.4	13.8	14.3	12.9	13.6	15.3	13.2	12.5	12.9
1955.....	12.3	10.4	11.6	10.9	10.4	10.7	10.0	11.0	9.0	11.4	11.5	10.5	10.9
1956.....	10.6	10.5	10.3	8.2	10.4	10.2	9.9	9.5	8.8	9.0	11.2	10.9	10.0
1957.....	10.9	10.5	9.5	10.4	10.2	10.2	10.0	11.3	11.2	11.0	13.1	13.5	10.9
1958.....	13.5	14.7	15.4	15.3	14.9	16.7	17.0	17.3	16.5	15.9	14.5	14.8	15.3
1959.....	14.0	15.1	14.6	11.3	13.1	12.3	12.0	14.9	14.7	13.1	11.8	13.4	13.4
1960.....	12.8	11.6	15.6	12.9	12.9	12.5	12.9	14.6	13.2	14.3	14.9	14.9	13.5
1961.....	15.9	16.3	15.6	17.1	18.3	16.6	16.8	15.0	15.8	13.8	14.1	13.7	15.7
1962.....	13.9	13.5	14.7	14.2	14.0	13.8	13.5	11.1	11.6	12.4	13.1	14.4	13.5
1963.....	14.2	15.7	14.9	13.5	12.7	12.6	12.4	12.0	11.7	12.2	12.6	12.5	13.3
1964.....	12.6	11.3	10.9	10.5	10.6	11.5	10.2	12.0	11.6	12.5	8.8	12.1	11.2
1965.....	11.0	11.5	10.9	10.1	10.7	10.5	11.1	9.7	10.2	9.0	7.9	7.6	10.1
1966.....	7.9	7.7	7.8	8.0	8.0	7.1	7.2	7.8	8.4	8.4	8.6	9.7	8.0
1967.....	7.7	7.7	7.2	8.1	8.0	8.1	7.5	6.8	5.1	6.8	7.1	7.1	7.4
1968.....	8.3	7.4	7.8	5.6	6.8	7.8	7.0	6.6	5.1	6.0	6.4	6.0	6.9
1969.....	5.7	5.6	6.1	6.1	5.6	5.0	5.8	6.8	6.9	7.2	5.4	6.4	6.0
1970.....	7.3	7.9	8.1	8.3	12.0	10.6	10.8	11.8	12.7	11.7	9.1	11.8	9.7

Source: "Household Data, Seasonally Adjusted", "Employment and Earnings", February 1971.

#### DRAFT LANGUAGE FOR COMMITTEE ALTERNATIVE

That this Title may be cited as the "Economic Emergency Assistance Act of 1971."

Sec. 1 Section 401(a)(4) of the Public Works and Economic Development Act of 1965 is hereby repealed and sections 401(a)(5) and (6) are renumbered accordingly.

Sec. 2 At the end of section 403 of the Public Works and Economic Development Act of 1965 add the following new section:

"Sec. 404(a) Upon the request of the Governor, the President may designate as an economic emergency assistance area (economic disaster area) eligible for assistance under this section an area, community, or neighborhood which has suffered or can reasonably be expected to suffer an unusual or abrupt rise in unemployment of such magnitude as to disrupt the economic life of the area, community, or neighborhood. An area, community, or neighborhood may be designated if, in the determination of the President, it is an identifiable area of impact due to loss of employment which would be significantly benefitted by assistance under this section, in which (1) there has been or can reasonably be expected an unusual or abrupt increase in unemployment resulting in a rate of

unemployment 50 per centum above the national average for six of the twelve months preceding the application for assistance or which is anticipated to occur during six months of any twelve month period in which the application for assistance was made, or (2) there has been or can reasonably be expected a 100 per centum increase in unemployment within a period of twelve months, which will be more than temporary in duration; or (3) there is an average rate of unemployment of veterans who served on active duty during the Vietnam era as defined in Section 101 (29) of title 38, United States Code, and who were discharged or released from active duty in the military, naval, or air service of the United States under conditions other than dishonorable, at least 25 per centum above the national average rate of all unemployment for three consecutive months or more during the preceding twelve-month period and which condition is expected to be more than temporary in duration; or (4) there are other critical economic conditions existing in any such area or community resulting from an unusual or abrupt increase in unemployment.

Any designation and eligibility for assistance under this section shall continue for a minimum period of 12 months after designation.

“(b)(1) Immediately upon his designation of an emergency economic assistance area, the President shall appoint a Federal coordinating officer to operate under the Economic Development Administration in such area

(2) The Federal coordinating officer shall, within the designated area,

(A) make an appraisal, within 30 days of designation and after consultation with State and local public officials, of projects most needed and most promising from the standpoint of increasing employment;

(B) coordinate the administration of Federal employment development efforts;

(C) work with the State coordinating officer appointed by the Governor at the time of his application for designation; and

(D) take such other action as he may deem necessary to carry out the purposes of this section.

(c)(1) Upon the application of any State, or political subdivision thereof Indian tribe, or private or public nonprofit organization or association, the Secretary of Commerce is authorized to make grants within an area designated under this section for the acceleration of public facilities projects (including the acquisition, construction rehabilitation, alteration, expansion, or improvement of such facilities and related machinery and equipment), if he finds that such project is consistent with the appraisal of the Federal coordinating officer for the area made pursuant to subsection (b)(2)(A) of this section or is necessary to support short term economic recovery in the area and has the approval of the State. Grants made under this paragraph shall not exceed 80 per centum of the cost of any such project, except that where the State or local government has exhausted its effective taxing and borrowing capacity for such purposes and therefore does not have economic and financial capability to assume all of the additional financial obligations required, the Federal contribution may be 100 per centum of the cost of any such project.

(2) The Secretary of Commerce is authorized to make grants and loans to Indian tribes or private or public nonprofit organizations or associations and guarantee loans to private profit-making organizations for projects or programs within the designated area which will create or enhance employment or maintain within the area a major employment source which would otherwise substantially reduce employment, if he finds that such project is consistent with the appraisal of the Federal coordinating officer for the area made pursuant to subsection (b)(2)(A) of this section. Grants and loans under this paragraph shall not exceed 80 per centum of the costs of any such project or program.

(3) The Secretary of Commerce is authorized to make grants to States to support programs providing assistance to individuals within a designated area whose employment has been terminated as a result of adverse economic conditions in an industry or area, who at the time assistance begins under this section are unemployed or have been forced to take other employment at a salary which does not exceed the lesser of 50 per centum of former salary or \$10,000. Assistance eligible for support under this paragraph is—

(A) unemployment compensation for individuals not otherwise eligible or who have exhausted their eligibility continued as long as the area is designated under this section (But not less than 6 months) or until terminated by reemployment.

(B) mortgage or rental payments to or on behalf of eligible individuals who have received written notice of dispossession or eviction from a residence

by reason of foreclosure of any mortgage or lien, cancellation of any contract of sale, or termination of any lease, to be provided for a period not to exceed 12 months; or

(C) in lieu of assistance under subparagraphs (A) or (B) of this paragraph, loans to eligible individuals of 80 per centum of an individual's average monthly income over the last 24 months at his normal employment, not to exceed \$1,000 per month for 12 months at an interest rate of 3 per centum per annum, to be repaid over 10 years commencing 1 year after reemployment.

Grants under this paragraph shall not exceed 80 per centum of the cost of any such program, except that where the State or local government has exhausted its effective taxing and borrowing capacity for such purpose and therefore does not have economic and financial capability to assume all of the additional financial obligations required, the Federal contribution may be 100 per centum of the cost of any such program.

(4) Priority in employment created by projects assisted under paragraphs (1) and (2) of this subsection shall be given to individuals assisted under paragraph (3) of this subsection.

(d) Any Federal agency charged with the administration of a Federal grant-in-aid program is authorized, if so requested by the applicant State or local authorities, or by the appropriate Federal Coordinating Officer, to modify or waive, for the duration of designation of the area under this section, such administrative procedural conditions for assistance as would otherwise prevent or delay the giving of immediate assistance otherwise warranted if the inability to meet such conditions immediately is a result of the economic problems confronting the area or if in the discretion of the agency charged with the administration of the program the waiver of said conditions is warranted in order to effectuate the intent of this section.

(e) The Secretary is directed to provide technical assistance in accordance with section 301 to areas designated under this section and to provide to Federal coordinating officers technical assistance which would be useful in quickly developing, assessing and implementing job creation projects and job maintenance investments.

(f) Federal financial assistance under this section may be used for all or any portion of the basic Federal contribution to employment related projects and for the purpose of increasing the Federal contribution to such projects.

(g)(1) There are authorized to be appropriated, to be available to the President to carry out this section, such sums as may be necessary to establish a revolving fund (to be known as the "Economic Emergency Assistance Fund") in the Treasury of the United States of \$750,000,000 and to replenish it.

(2) There are authorized to be appropriated, to be available to the President, such sums as may be necessary for loan guarantees under subsection (C)(2) and technical assistance under subsection (e) of this section."











