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**HOUSING OUTLOOK FOR 1975**

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**HEARING**  
**BEFORE THE**  
**JOINT ECONOMIC COMMITTEE**  
**CONGRESS OF THE UNITED STATES**  
**NINETY-FOURTH CONGRESS**  
**FIRST SESSION**

—————  
JULY 18, 1975  
—————

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# CONTENTS

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## WITNESS AND STATEMENTS

FRIDAY, JULY 18, 1975

Humphrey, Hon. Hubert H., chairman of the Joint Economic Committee:	Page
Opening statement-----	1
Hills, Hon. Carla A., Secretary of Housing and Urban Development----	3

## SUBMISSIONS FOR THE RECORD

FRIDAY, JULY 18, 1975

Hills, Hon. Carla A.:	
Response to additional written questions posed by Chairman Humphrey-----	31
Response to additional written questions posed by Senator Javits--	83

(III)

# HOUSING OUTLOOK FOR 1975

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FRIDAY, JULY 18, 1975

CONGRESS OF THE UNITED STATES,  
JOINT ECONOMIC COMMITTEE,  
*Washington, D.C.*

The committee met, pursuant to notice, at 10:15 a.m., in room 1202, Dirksen Senate Office Building, Hon. Hubert H. Humphrey (chairman of the committee) presiding.

Present: Senators Humphrey, Sparkman, Proxmire, and Javits; and Representative Brown of Michigan.

Also present: Ralph L. Schlosstein, Courtenay M. Slater, Jerry J. Jasinowski, and George R. Tyler, professional staff members; Michael J. Runde, administrative assistant; George D. Krumbhaar, Jr., minority counsel; and M. Catherine Miller, minority economist.

## OPENING STATEMENT OF CHAIRMAN HUMPHREY

Chairman HUMPHREY. The committee will come to order.

May I first say that I was privileged to have a visit this morning from a gentleman from the Turkish Parliament. I just wanted to recognize his presence and the importance of the relationship between our two countries even though the problems are sometimes very difficult. And I was just saying to the chairman of the Foreign Relations Committee that I need his help on this occasion.

We welcome the Secretary of our Housing and Urban Development Agency. Today the Joint Economic Committee is holding a hearing on the housing industry and its role in the hoped for economic recovery.

The committee intends to examine the outlook for the home construction industry in the next year and the policies that will be necessary to improve this outlook.

A quick look at the current situation clearly indicates that the depression in the housing sector is far from over. The morning press carried disappointing news relating to housing starts. Those housing starts which had made a recovery in May reversed again and suffered a 5-percent decline in June. I said to a group of my constituents who were in to see me this morning if we cannot have housing starts in June, there is not much hope for housing starts in October, November, once the snow starts coming and the cold sets in, the rate of housing starts in the upper Midwest, and that includes a substantial part of the country, is severely retarded.

The data that was released yesterday indicates that the annual rate of housing starts in June was 1,070,000 units, approximately 40 percent of the goals that the Congress and the executive set in the Housing Act of 1968. Building permits remained essentially unchanged in

June, but are still well below permits for June 1974, which was hardly a banner year. Unemployment in the construction industry was 21.8 percent in May, which is more than twice the unemployment rate of just 1 year ago.

An unprecedented 1 million construction workers are currently out of work. The picture painted by these statistics is hardly one of a booming recovery. It does not even indicate that the housing industry has bottomed out. The housing construction recovery, which the administration has been counting on to spearhead a full blown economic recovery, simply has not materialized. In fact, the housing sector, which is supposed to be the "Moses" sector leading economic recovery, has turned out to be another Rip Van Winkle sector, a slight yawning upturn last month only to go back to sleep this month. Unfortunately, the outlook for the housing industry for the remainder of the year is not much brighter even though we will have some discussion here as to the outlook of the industry. Mortgage rates have remained at unacceptably high levels, despite unprecedented flows of new savings into the thrift institutions.

The median price of new and existing housing has continued to rise despite the recession-induced reduction in demand which should, under normal circumstances, lower prices. Fewer and fewer American families are able to afford decent homes. A recent study done by the Joint Economic Committee shows that many middle-income families are no longer able to afford either new or existing housing. Our study found that only 15 percent of American families have sufficient income to support all the housing expenses associated with the median priced new home. Only 20 percent of all American families can afford the median priced existing home. The study further showed that an annual income of \$23,330 was required to meet the monthly expenses on the median priced new home and that \$21,170 was required to meet the expenses on the median priced existing home.

The high cost of new and existing housing combined with declining real incomes—I underscore the word real incomes—has turned our national goal of a "decent home in a suitable living environment for all families," at least temporarily, into an empty promise, and regrettably, a sham.

Unfortunately, the housing policies of the current administration have offered little hope for improvement in the housing outlook. First, the administration has offered few new incentives that will stimulate new construction and rehabilitation and reduce the intolerable unemployment rate in the construction industry.

The new section 8 program has been turtle-like in its conception and stimulated virtually no new production. Other programs such as sections 235 and 236 have been completely suspended or so overburdened with regulations that they have been redtaped out of existence.

Yesterday we had Mr. Klutznick testify. Mr. Klutznick from Chicago and New York is obviously one of the better informed men in the field of housing and he commented upon sections 235 and 236 as to how they have literally come to a standstill as far as their effectiveness is concerned. In essence, the administration's position has been to let the market forces operate while the bottom has been falling out of the market.

Second, the administration has done less than nothing to make housing more affordable to the average family. Now I say less than nothing, which is rather a harsh phrase, because as I see it the administration has vetoed the only initiative, congressional or Executive, designed to reduce the high cost of homeownership. This was a bill that was sponsored by Senator Proxmire. This bill, the Emergency Housing Act of 1975, would have provided affordable mortgages to 400,000 middle-income families, making housing available to a broader group of Americans. Unfortunately, this proposal was rejected in the President's veto message because "there are clear signs of recovery in this vital part of the American economy."

I ask anybody to take that statement and place it against the known facts of the June housing statistics and all of the projections we have. The signs of recovery have been short lived, indeed.

Finally, housing assistance to low- and moderate-income families has been at an impasse. The programs, sections 235 and 236, have been completely discontinued while the new program, section 8, is just getting off the ground. In the interim the number of housing starts subsidized by HUD has declined to 58,000 in 1974 from 386,000 in 1971.

Unfortunately, this decline has exacerbated the most severe housing depression since the Second World War. Today we will receive testimony on the administration's view of the outlook for housing in 1975 and I hope the outlook for 1976. We will also examine the specific initiative that the administration is currently undertaking to improve this outlook. We are indeed fortunate to have with us today Carla Hills, the Secretary of Housing and Urban Development. We greatly appreciate your willingness to share your thoughts on the housing outlook with us. I commented to you privately that I had seen you on a morning television show where I thought you did an exemplary job explaining what you were undertaking. I know you are relatively new to this particular assignment, surely not at all new to public service.

I believe that I speak for all members of the committee when I extend a sincere welcome to you in your first opportunity to testify before this committee, and we look forward to your observations. Hopefully you will give us some encouragement that will keep the sun shining here in terms of the housing industry.

Please proceed.

#### **STATEMENT OF HON. CARLA A. HILLS, SECRETARY OF HOUSING AND URBAN DEVELOPMENT**

Secretary HILLS. Thank you, Mr. Chairman, and members of the committee. I am pleased to appear before you this morning to discuss the outlook for housing, and our current policy options.

Housing policy not only has significant economic impact, but also addresses a fundamental social concern. Shelter is a basic human need, and decent adequate housing opportunities for all is an important national goal.

Throughout the postwar years, wide fluctuations in the level of residential construction activity have disrupted the housing sector. Since the housing markets are relatively more sensitive to interest rate fluctuations than most other industries, when interest rates rise

during economic expansion or fall during contractions, housing reacts quickly. Housing is the first sector to turn down in an economic reversal, but always recovers when the economy resumes normal growth.

Current levels of housing production, 1.07 million starts in June remain well below the peak rate of over 2 million starts reached in 1971 to 1973. However, the bottom of the cycle has passed and a recovery is underway.

There are several indications of the current housing recovery. The May housing starts increased 15 percent over April, but fell back about 5 percent in June. Housing permits, another important indicator, increased 8.6 percent in May and 1½ percent in June. New home sales increased 25 percent in May.

We do not expect a constant increase in housing starts from month to month. The series has fluctuated, historically. Twice during the early stages of the housing recovery in 1970, for example, starts fell 4 percent and 8 percent immediately after a month with a 21-percent and 9-percent increase, respectively.

I call your attention to the April 1970 and the August 1970 statistics in that regard.

By comparison with other postwar cycles, this housing recovery appears to be progressing. The tables accompanying your copies of my remarks indicate that the 6-month advance from the December 1974, an annual rate, cyclical low of 0.88 million starts to 1.07 million in June represents a 22-percent increase. The current recovery appears similar in strength and pattern to the 1960 and 1966 recoveries. Single-family starts are running ahead of the 1970 recovery. Six months after the January 1970 cyclical low, single-family starts had recovered from 0.596 million to 0.818 million. In the 6 months since the December 1974 cyclical low, single-family starts have risen from 0.682 million to 0.862 million. In addition, the latest figures on permits and sales of new one-family homes show that they rose 35 and 53 percent from their respective lows through May, another indication of the housing recovery.

This recovery has been supported by Federal policies seeking to assure continued mortgage credit availability. More than \$17.5 billion in Federal support has been given to the mortgage market in 1974 and during the first quarter of 1975 in the form of Federal Home Loan Bank Board advances and Government National Mortgage Association commitments. This support will assist 500,000 home mortgages. GNMA, alone, has committed \$13.5 billion over the past year, \$9 billion since October, to purchase below-market interest rate mortgages. To date, \$4 billion of these mortgages have actually been purchased and almost \$9 billion in commitments remain in the hands of mortgage lenders, and are supporting the current housing recovery. This unprecedented level of mortgage purchase support not only helped cushion the decline but is clearly having positive effects which only now are being felt.

In addition to this mortgage purchase support the Federal Government through Federal National Mortgage Association and Federal Home Loan Mortgage Corporation provided over \$10.5 billion in advance commitments to mortgage lenders.

In order further to support the recovery in housing, the President on June 24, 1975, directed release of an additional \$2 billion in GNMA mortgage purchase assistance.

Finally, responding rapidly to the President's recommendation for an extension and expansion of the GNMA tandem authority, the Congress passed the Emergency Housing Act of 1975 which President Ford signed on July 2, 1975. This new act gives discretionary authority to make commitments to purchase up to \$10 billion of additional below-market-interest-rate mortgages, enough to support 300,000 units.

There are some differences in the regional pattern of this housing cycle, as compared to earlier cycles. The 1971-73 boom years for housing saw increased production largely in the South and West. During the recent downturn, these regions returned to their historically normal shares of housing starts and declined cyclically with the Northeast and North Central regions. In the current recovery, all sectors seem to be rebounding. There has been an unusually sharp recovery in the West, where starts have already come back almost to long-term trend levels, and promise to increase solidly above trend. In contrast, however, the Northeast is still almost 20 percent below normal in starts for this point in the cycle, but that region has shown a 10-percent recovery since November, and the lag should narrow once a general economic recovery is underway.

The upturn in housing production indicated by the performance of the past 6 months is anticipated to continue at least through mid-1976.

Currently, this Department anticipates the following annual rates of housing starts. For the third quarter of 1975, 1.35 million; for the fourth quarter of 1975, 1.5 million; for the first quarter of 1976, 1.55 million; for the second quarter of 1976, 1.6 million.

Private forecasts which range from 1.4 to 1.73 million total starts on an annualized basis in the second quarter of next year, seem in line with these figures. In more specific terms, we forecast on an annualized basis the following breakdown of single-family and multifamily housing starts.

For the third quarter of 1975, single family, 1,050,000, and for multifamily 300,000; for the fourth quarter of 1975, 1,100,000 single family, and for multifamily, 400,000; for the first quarter of 1976, single family, 1,150,000, multifamily, 400,000; for the second quarter of 1976, single family, 1,200,000, and multifamily, 400,000.

Variables that will affect these forecasts include consumer spending, general monetary and fiscal policy and interest rate fluctuations.

Our projections point up the serious problem which still exists in multifamily housing construction. Construction, maintenance, and operating costs have risen rapidly, while apparent overbuilding in the boom years 1971-73, coupled with unrealistic local rent control laws in some jurisdictions have kept rents from keeping pace with costs in many areas. These problems vary widely from city to city.

The section 8 rental assistance program which was enacted in the Housing and Community Development Act of 1974 can address some of the problems that affect multifamily construction.

We have prevalidated approximately 95,000 units of section 8 housing in fiscal year 1975. This includes about 40,000 new and rehabilitated units. Over fiscal year 1974, we expect to make reservations for an additional 400,000 units.

However, I note with very great concern that the HUD Senate Appropriation Subcommittee has recommended actions these past 2 days which if not modified, will have serious adverse impact on these expectations. A reduction of \$125 million in assisted section 8 housing funds will make that goal of 400,000 units impossible to achieve. I am concerned, as I am sure the members of this committee must be, at the impact such a cut would have on our efforts to provide low-cost housing under the new section 8 program.

The level of interest rate affects the recovery in both multifamily and single-family construction. The first two quarters of 1975 have exhibited record savings inflows of nearly \$32 billion and slowly declining mortgage rates. Thrift institutions have used these inflows primarily to repay outstanding FHLBB advances and to improve their liquidity positions. In June, however, lending and commitment activities increased dramatically with savings and loan associations lending a record \$6.1 billion in mortgage loans.

The inflow of savings into thrift institutions is expected to continue with the major part of that flow being devoted to mortgage lending. It appears that the mortgage interest rate will decline to about 8.5 percent this fall. It may again rise slowly at the end of 1975, because of the increasing cost of money to thrift institutions and concerns about higher future interest rates.

Expectations of rising interest rates have been fueled by the continued demand for long-term financing by State and local governments, corporations, and by the financing needs of the Federal Treasury.

Concerns have repeatedly been raised about the ability of the majority of American families to afford homeownership. One statistic suggests that over 80 percent of Americans cannot afford the median priced new single family home. This statistic does not support the conclusion that only 20 percent of American families are now capable of homeownership.

First: It focuses only on new single family homes. New housing production, even including mobile homes, has never made available more than 3½ percent of total housing units in any 1 single year. Almost three times as many families purchase existing homes as new ones. Thus, for example, in the FHA mortgage insurance program, in 1974, we have estimated that 46 percent of American families could afford the average FHA section 203(b) insured home. Thus, a statistic which relates only to new home costs is not realistic.

Second: The statistic is premised on the median price of a new single family home. The median price of all such new homes sold in 1974 was \$35,900. Over 31 percent of American families had a sufficient income, \$17,330, in 1974 to purchase that median-priced home. Moreover, one must remember that half the houses sold in 1974 were priced at less than the median, meaning that a new home could be afforded by families with lower incomes. For example, about one-fifth of the new homes sold in 1974 cost less than \$27,500. About 48 percent of American families had a sufficient income, \$13,250, to purchase that price house.

Additionally, changes in demographic trends have encouraged new developments in housing, including the rapid growth in cluster, townhouse, or condominium-type units, which have grown from a

nearly nonexistent segment of the market 10 years ago to a significant proportion of housing today. Those forms of construction are significantly less expensive than traditional single family housing and provide an affordable opportunity for homeownership for many families who might not otherwise be able to bear the cost of a new home.

With respect to long-term outlook for housing we are in the process of replying to a request from the Senate Committee on Banking, Housing and Urban Affairs concerning the national housing needs and goals and the production of housing units through 1978 and 1980 necessary to meet them. This reply will utilize data from the Bureau of the Census and the annual housing survey which will be available in late summer. These data include revised projections of the rate of household formation, and new information on the quality of the existing housing stock, which we hope to use in analyzing the feasibility of upgrading existing housing units. We anticipate that we will be able to use this information to provide a full analysis of housing needs by early September. We will reply to the Senate committee at that time. We would be glad to share this information with you then.

Chairman HUMPHREY. We would appreciate your sending us the information.

Secretary HILLS. There are two other aspects of long-term policy which warrant discussion.

First: As we emerge from another slump it is important that we not lose our concern with effecting changes in the credit system that will help prevent, or at least deal more effectively with future cycles. Until the housing finance system is fundamentally reformed, we will continue to experience excessive swings in housing credit availability and consequent demands for an increasing federalization of the mortgage market. The Financial Institutions Act would help reduce the vulnerability of the housing industry to such cycles and thus reduce the need for massive Federal credit efforts. We urge passage of the act.

Second: We must learn to deal with and adjust to a variety of constraints on housing production that will persist even after the current slump has ended.

A number of these constraints have arisen as the natural byproduct of the growth of recent years and the increasingly widespread recognition that the often wasteful practices of the past are no longer acceptable. Sewer moratoria, zoning restrictions, controlled growth policies, and most recently, energy conservation considerations, are not going to disappear, nor in many instances should they. Therefore, if we are going to increase the housing opportunities for all of the American people, we are going to have to make some revisions in the way we think about housing.

Our fundamental national goal is decent, safe, and sanitary housing for all Americans, and this need can be met by improvement of our existing housing stock, in addition to new construction. Any national housing goal must include substantial use of our existing housing stock, unless we are willing to accept the wasteful notion that the resources they represent can be casually discarded.

Preliminary evidence for the first annual housing survey indicates that there was a substantial improvement in the quality of our existing stock from 1970 to 1973. The total number of good housing

units is increasing while the total number of inadequate units is decreasing.

Last year the Congress recognized the need to make better use of our existing housing inventory by amending the national housing goals statement to encourage neighborhood preservation.

Developing a strategy that effectively carries out this new preservation emphasis is a major challenge. Fortunately, our tools for such a strategy have been improved by the Housing and Community Development Act of 1974.

The community development grant provisions of that act provide local officials with Federal funds that can be used in support of preservation efforts free of most of the constraints, delays, and redtape that characterized earlier programs. The legislation couples community development assistance with a requirement for local housing plans, which require local officials to focus upon housing. Although it is still too early to assess the impact of these provisions, a preliminary review of initial grant applications received from local governments indicates that preservation efforts are receiving a high priority.

Another new authority that will be helpful in efforts to preserve existing housing stock is the section 8 rental assistance program. That program gives many lower income tenants freedom of choice in selecting existing housing. We are optimistic that the section 8 program will prove to be an important element in the Nation's efforts to conserve the resource of its existing residential neighborhoods.

To sum up, let me say that HUD can and will continue to develop programs to aid and guide the housing industry as it recovers along with the general economy. We are confident that with Congress' help we can insure that the future of the housing industry will be more stable, so that its cycles will be less extreme, and can achieve the goal of a decent home and suitable living environment for every American family.

Chairman HUMPHREY. Thank you very much.

Secretary HILLS. I would like to state here Mr. Chairman, that the vetoed bill would not have assisted the housing industry. In my opinion, the vetoed bill would delay the recovery in the housing industry. I regarded that bill as having a highly complex choice of remedies, an unrealistic 6-percent interest subsidy, a 7-percent interest subsidy, a cash assistance and you get none of those if you were the beneficiary of the Tax Credit Act which was passed in March.

To implement the program would have, in my opinion—and my opinion was verified by persons of long tenure at HUD—taken a large number of months. Accordingly, we would not have had the benefit of that Federal assistance for 5, 6, or 7 months when the deepest snows would have fallen in Minnesota.

It was for that reason that I recommended that the President veto that bill and was so delighted that this Congress followed his leadership in recommending a new bill that incorporated many of the provisions of the original bill, but without the dilatory effects.

As a result now, we have an emergency housing bill that utilizes tools in place and we can utilize the tandem program. I am advised that this administration is in the process of recommending appropriation to Congress of \$5 billion to provide that sort of assistance. I believe when you address an emergency you must necessarily address it now, not 6 months from now.

I think the measure we have on the books, Mr. Chairman, with all due respect, is a far preferable measure than that which was offered earlier. I will be glad to answer any questions that you have.

Before we commence upon that, I would like, if I may, to introduce those from HUD who are in attendance with me. At my immediate left is David deWilde, acting Assistant Secretary for Housing Production and Mortgage Credit an acting FHA Commission; at my far left is Mr. John C. Weicher, Deputy Assistant Secretary for Economic Affairs; to my immediate right is Daniel Kearney, President of the Government National Mortgage Association; to my far right is Albert Kliman, Director of HUD's Budget Office.

Thank you so much.

Chairman HUMPHREY. First, I would like to thank you for your testimony. It should be known that in making comparisons with past periods, there has never been such a discrepancy between the cost of the average home and the ability to pay for it on the part of the average family. No discrepancy, to date, has been as large.

The increases in the cost of financing and in product costs have been very sharp. And the discrepancy between the cost of financing, of actual material and of labor compared to income is the sharpest that it has ever been.

To look at comparative figures over a previous period of time is a somewhat questionable practice.

You have brought to our attention, for example, the 25 percent increase in new homes sales in May.

Is that not due, in part, to the housing credit that became law, as part of the tax law? I must say that the administration felt that provision was of dubious usefulness. As I recall the President's message, he criticized it a great deal.

Were those housing sales in May a result of the impetus in the tax credit?

Secretary HILLS. My observation is that it was not primary but I would have to agree it did have some effect. The statistical data that supports the benefits that flow from the tax credit bill, is extremely scanty. I cannot answer your last question in the affirmative.

Chairman HUMPHREY. Further debate in the Senate indicated that it had been used widely once it was placed on the statute books and that it had an immediate impact.

Secretary HILLS. Unfortunately, Mr. Chairman, the bill has not focused on our lower income people to whom you had earlier referred.

Chairman HUMPHREY. It is focused on the average home. It is focused on the median-priced home.

Secretary HILLS. As on the higher priced homes so there is a wasteful effect. So we cannot say whether there are any incremental sales that make this statistical analysis somewhat difficult.

Chairman HUMPHREY. I suggest we get the information because it is not all that difficult. When you are buying a home there is a record of sale and there are other kinds of records. It would not be difficult to find who used the \$2,000 benefit any more than to find out whether they got a building permit.

I am most interested in what you have to say about forecasts, because those forecasts, if they are true and can be verified, are very reassuring even though it leaves us far behind the level of housing that is needed.

Your forecast for housing starts includes a 27-percent jump in housing starts from the second to the third quarter of this year.

The staff of this committee has examined previous housing recoveries and could find no quarter-to-quarter increase that even approaches this magnitude. The greatest increase we could find was approximately 15 percent in the 1970 recovery from the third to fourth quarter.

On what basis do you have this extravagant optimism about the increase in housing starts when the historical picture, with lower interest rates and lower housing costs, shows nothing better than a 15-percent increase? You are talking about 27 percent?

Secretary HILLS. I would look for some solace in the chairman's remark that comparisons backward are not always fruitful. On the other hand, I will turn to my economist, Mr. Weicher, and ask him.

Chairman HUMPHREY. Wait a minute, you are a very clever lady. In 1970, interest rates and housing costs were lower and credit was more available.

Therefore, that increase in 1970 should have been far sharper in terms of housing starts. We'll have higher interest rates and your own statement indicates that you expect those interest rates may go up. The housing costs are very high. You gave us a number of other constraints that you listed. My point is, if you had a relatively easy period in 1970 and you had a maximum of 15-percent increase in starts, how do you project 27 percent?

I want to know what kind of soothing syrup this is and what is the formula? As an old pharmacist I would like to know what the ingredients are?

Mr. WEICHER. If I might respond to that, Senator.

Our analysis is based on the fact that we expect interest rates to be continuing to drop in the near term. We have these new record deposit inflows into the thrift institutions. We anticipate that these will be manifested in increased home purchases and increased housing starts. We have an unusual situation here.

We feel that quarter-to-quarter comparisons, cross cycles of this sort, with precise numbers are misleading. We feel the signs that we have would indicate a substantial recovery. We would expect that recovery to continue at a slower rate through the fourth quarter and the first and second quarters of next year.

Chairman HUMPHREY. Yesterday, mortgage rates went up one-tenth of 1 percent. Recently they have gone up, they have not gone down.

Mr. WEICHER. They have been fluctuating.

Chairman HUMPHREY. The flux is not very much on the downside.

Mr. WEICHER. No, the rates have been coming down, they have been fluctuating. Recently, they have been coming down.

Chairman HUMPHREY. The Secretary says expectations of rising interest rates have been fueled by the continued demand for long-term financing by State and local governments, corporations, and financing needs of the Treasury. It appears that the mortgage interest rate will decline to about 8.5 percent this fall. It may rise again slowly at the end of 1975 because of the increase in the cost of money.

You cannot have it both ways. You said you had expected those rates to fall. The Secretary says, I repeat, that she expects interest rates to rise.

Mr. WEICHER. We expect the rates to fall in the immediate future. We expect rates to continue to fall at the end of the third quarter and beginning of the fourth quarter. After that we expect they will begin to rise slowly. We believe that is consistent with the figures we have offered of the substantial recovery in the near term and the slower recovery at the end of the year and into next year.

Chairman HUMPHREY. The Secretary says it may rise again slowly at the end of 1975. That is the fourth quarter. You said you would expect it to fall in the fourth quarter.

Mr. WEICHER. We are expecting an increase from the third to fourth quarter of 1975 in the neighborhood of 11 percent. We expect interest rates to be rising in the fourth quarter, not necessarily at the beginning of the fourth quarter, during the fourth quarter. We expect if they turn up at the end of this year and into 1976, then as you will see, we are expecting the slower rate of recovery in the first any second quarters of 1976.

Chairman HUMPHREY. Your statement indicates that you expect 300,000 multifamily starts in the third quarter of 1975. That is part of this optimistic projection. The projection implies that there will be an increase of almost 200 percent in multifamily starts in the second to the third quarter.

Now, our staff has looked over previous periods. We can find no 3-month period in all of the records of the Government in which the increase was that great. What possible basis do you have for these projections? I am an old optimist. It is hard for anybody to outdo me when it comes to optimism. I just wonder what the basis is for this fantastic increase in multifamily units.

Mr. WEICHER. Multifamily starts are now very near the bottom of the cyclical cross. As we stress, we are not happy with the way that they have been proceeding lately. But, we believe that from this low and near low that we are now seeing that we can anticipate a rebound.

Chairman HUMPHREY. This is a great leap forward, almost a 200-percent increase in multifamily starts from the second to the third quarter. Do you really believe that is a reasonable projection?

Secretary HILLS. 70 percent, I think, is what you are addressing.

Chairman HUMPHREY. I have just been notified here that the Wall Street Journal says as follows:

The starts of multifamily apartment buildings fell 22 percent in June to an adjusted annual rate of only 148,000, 68 percent below the year earlier total. Starts on two- or four-family units ran at an annual rate of 60,000 units, up 13 percent from the May rate, but off 15 percent from the year earlier pace.

My point is we should not argue about a percentage point here and there. Your projections really are more optimistic than Herbert Stein's projections on the economy when he used to appear before this committee. He subsequently said he was wrong.

Secretary HILLS. We hope we are not wrong, Mr. Chairman. I think you will note a large percentage increase when you have such a great depth of downturn in the multifamily sector. It was in April, I think, that starts on multifamily jumped up and the percentage was substantial, strikingly substantial because a small movement upward reflects a rather substantial percentage increase.

With the best data that is available to us, we feel our projections are reasonable and I will try to err on the conservative side rather than the optimistic side, if I felt that that was supported by the data.

Chairman HUMPHREY. I am interested in knowing what the factors are there that make you come to the conclusion that things have changed so much from April. What factors that affect housing construction give you this great optimistic projection.

I hope you are right, I just hope you are right. I do not see these factors. Labor costs have not come down, material costs have not come down appreciably, money rates are not down very much.

Senator JAVITS.

Senator JAVITS. Mr. Chairman, Congressman Brown of Michigan has to leave for a vote. May he have the floor?

Chairman HUMPHREY. Certainly.

Representative BROWN of Michigan. I would like to continue this discussion on percentages. If you have only one housing start in the second quarter and two in the third quarter, that is a 100-percent increase. Whereas if you had 300,000 housing starts in the same quarter and had a 50,000 increase that is only a one-sixth increase.

Secretary HILLS. That was really my point earlier.

Representative BROWN of Michigan. I do not think, Mr. Chairman, unless you are looking at the actual number of units and looking at percentages, that you can talk about percentages and say this is unprecedented. This has been an unprecedented recession in housing.

Chairman HUMPHREY. Exactly.

Representative BROWN of Michigan. Therefore, you could have an unprecedented recovery and still not have the units being so great in number.

Madam Secretary, it is nice to have you with us today.

Secretary HILLS. Thank you.

Representative BROWN of Michigan. That was a very good statement, I appreciate it very much. I know you have had some problems with the Appropriation Committee on this side of the Capitol and I know Senator Javits will pursue it with you some. I do have to go and vote so I will not take up the Senator's time.

But, I do hope to get back so I can ask you some questions later on. Thank you very much.

Secretary HILLS. Thank you.

Senator JAVITS. Madam Secretary, my first question is what should be the objective of the United States respecting the number of housing starts per year and the mix of single-family and multifamily housing?

Secretary HILLS. Senator, we have with the Congress developed a philosophy of permitting the local communities to decide the mix which is appropriate for them of their new, rehabilitated and existing housing stock. We asked for that in the housing plans. For the first time, we are asking them, so they must focus on those needs and prioritize them, and address the needs of the lower income population.

It is difficult for us to say, after 10 months with this new philosophy, exactly what will be communicated from them. We are in the process of assisting the first year's housing assistance plan.

Senator JAVITS. Is it fair to say, then, that the United States has no housing objective whatever?

Secretary HILLS. No, it is not fair to make that statement.

Senator JAVITS. What do we have? What is our housing objective?

Secretary HILLS. Our housing objective is to provide decent, safe, and sanitary housing for all American people. We are utilizing all

three tiers of the Federal Government to assist in implementing our program, which is just newly started.

Senator JAVITS. If that be true, Madame Secretary, why do we say that housing is in the dumps? According to you, it may be flourishing. If we have no objective, to what can we compare the current situation?

Secretary HILLS. I understand what you are reaching for, Senator. You want a figure that I can say that all will be well in the country if we can only reach 2 million starts this year, and that was the goal. I would rather wait until the data was in both from the housing assistance plan and the annual housing survey, which I refer to as having data available in September. But I do see a great problem in the swings in the housing industry, and I would say as a goal to modulate the attitudes in both the mortgage credit market and the resulting effects in our housing market, that 1.8 million starts to 2.2 million would provide a healthy continuity, based upon the data that we have.

Senator JAVITS. 1.8 million to 2 million?

Secretary HILLS. 2.2 million starts on an annualized basis. That would be a goal that we would reach for.

Senator JAVITS. Can we, in the same vein, state what the mixture of that is between single family and multifamily?

Secretary HILLS. I do not think I have the data to nearly approach that. We are finding a great variance in various sectors of the country with respect to their needs for single-family and multifamily homes. We also see a great variance in vacancy rates. Those statistics are not highly refined. We get those on a regional basis, not on very careful assessment of vacancies in small communities, which is really where you feel the inflationary factor when the stock is in too great a demand, and the supply is too great for the demand, and it can be made available.

We do see changes, however. We see changes in our demographic trends. We see a desire by the American family for new kinds of housing. We see an interest in condominiums and cluster housing, and we see different family formations. I think that data will come to us, and we will be able to see what our goals should be.

Senator JAVITS. I assume you will furnish that information to us.

Secretary HILLS. Yes, I will supply it if it is available. I have written to Senator Proxmire, explaining that we will have the data in our September reply to him. At the same time, we would be pleased to provide this committee with the same information.

Senator JAVITS. I think it would be very valuable. In order to run your Department, you need the necessary personnel, and I understand that the Appropriations Subcommittee in the Senate has recommended a number of cuts in HUD staffing. In view of these proposed staff reductions, would you still be able to carry out the housing programs called for in the 1974 legislation as well as the legislation we passed the other day?

Secretary HILLS. I think that the assignment would be very difficult in most quarters, nearly impossible in some. Let me explain.

The cuts, at a regional level, will mandate a reorganization. When I came to HUD, it seemed clear to me that because many of the programs had not been implemented, that my first priority was to get our

rental assistance program going, and the numbers of other programs which the Banking Committee was so concerned about. The cut in the regional level will mean that many of these programs cannot be monitored properly; will mean that where we have staff appraisers, who are sent out into the field, that we will not have the resources to hire them. A cut of 309 persons—just think, 309 persons out of our housing programs, at a time when Congress seems to wish us to do more in rental subsidy, more in all of the areas; and indeed, as they were cutting our personnel, they were adding programs in the housing sector.

Our community planning and development, which I think has done so much to revitalize our inner cities, to make use of existing stock, which supplements so well the production that this country has, will be a 40 man-year cut. That means the process in timing community development would increase at the very time when we are trying to offer the local communities a 9-month year, commencing in September, followed quickly by another 9-month year. Do not misunderstand; I do not mean to say they will get more money, but so that our dispersal mechanism will dovetail with their budgetary system, that will enable them better to leverage their funds and help meet the the crisis that so many cities feel today.

In addition to that, the cut in community development will greatly impair the administration of the section 701 and 312 programs, both of which have been augmented yesterday by this Congress. Our Office of General Counsel has been cut. Apparently, it has been cut because it has been suggested that it is a bottleneck. Let me suggest to you the way to relieve a bottleneck is not to remove people from it.

The programs that I found not implemented when I arrived at HUD were due to the fact that the regulations, procedures, rules, handbooks and manuals had not been drafted. That is a principal chore of our Office of General Counsel. They do not need fewer people, they need more people. Based upon my experience in law practice, a law firm would have been shocked to have put so few people on some of the very serious problems that the Department of Housing addresses, and to cut the General Counsel. Really, it means we will be slower, not quicker, in implementing. I have grave reservations about the quality that we can expect when people are overextended for such a period of time.

And then, I am distressed considerably about the cuts which have occurred in policy development and research; 18 positions have been cut from that area. It seems to me that, at this juncture where, for example, this committee is so wanting greater detail and analysis, this is hardly the time to take away our economists and the persons who can analyze our policy. I am frankly quite reluctant to recommend new programs which have not been appropriately analyzed at our headquarters.

So, I very frequently almost am in daily contact with the policy and development people. To remove 18 of those persons will gravely affect the quality of our work, in my opinion. So that the short answer to your question is, not only will it be difficult, I think many of our programs will be quite impossible.

I am considerably concerned by the actions that have recently taken place.

Senator JAVITS. Mr. Chairman, I have many other questions, but my time is up.

Chairman HUMPHREY. I might just add, to set the record straight, that you had the same problem with rules and regulations and with applications when you had more people. Might I add that it was an outrage; there was as much as 2½ years' delay on the multifamily unit when you had people.

Senator Proxmire is the chairman of the subcommittee. He better take care of himself right now.

Senator PROXMIRE. There are so many arguments that have been brought up here. Let us start with your testimony first, and then get around to the staffing a little later, perhaps.

In your oral statement, Madame Secretary, you complain that the HUD Subcommittee of the Senate Appropriations Committee—I am chairman of that subcommittee, as you know—has reduced section 8 funds from \$600 million to \$475 million, roughly. And then you say, this cut will make it impossible to achieve your section 8 goals.

I think that is a highly partisan statement. I will tell you why. In fiscal year 1974, Secretary Lynn told us that there would be 118,000 in section 23—now section 8—starts. We gave the funds, there were no starts—zilch, zero.

In fiscal year 1975, Mr. Lynn told us there would be 400,000 section 8 starts. Again, we supplied the money. There were no starts—none, zero. As a result there is a carryover of over \$1 billion—it went up from \$581 million up to \$1 billion, because HUD did not use its contract authority in fiscal year 1975.

We have just added, in the Senate, another \$475 million, which means you have authority of \$1½ billion. That will provide for over 450,000 units. Further, our committee is telling you, in its report, if you do run out of money—if you actually get 400,000 or 450,000 units started or committed, you come back and tell us. I am sure we will have no trouble, not only having the subcommittee and the Appropriations Committee agree, but the Congress agree, to provide additional funding.

HUD's performance was so miserable last year, and the year before, we have almost no faith that you will actually provide 400,000 units, let alone build the 90,000 new units you estimated before the Senate Banking Committee a month ago. Secretary Hills, if your Department produces, you will get the money. But if the past is any indication of the future, there will be considerable carryover next year of the \$1½ billion we have given you now. What is your response to that?

Secretary HILLS. I would say to you, Senator Proxmire, that a multiple of 400,000 units is what our budget request was put at. If your figures are in error, I will defer to Mr. Kliman on that. I will say to you, when an estimate of 400,000 was given, prior to my arrival at HUD, that was not for starts but contract reservations. I think I have said to you on at least two occasions, I regret very much that the program had not started prior to my arrival. But now it is started, I am trying to make intelligent plans for the future.

I believe my estimate to you was for fiscal 1975 of 40,000 units. I have met that estimate, and I cannot do anything about the estimates that were in error in the past. So that the record is clear on the budget multiple, may I ask Mr. Kliman—

Senator PROXMIRE. Before we get to that, it is a fact that the carry-over is there.

Secretary HILLS. The carryover will be used. It is the carryover, plus the \$600 million that will enable us to do 400,000 units. We cannot make plans for doing 300,000 units, and then accelerate. That is more particularly so with our staffing situation. However, since our staff in housing production and mortgage credit has been so drastically cut, perhaps the goal of the Senate Banking Committee is that we should cut down our rental assistance program. That I will not tell you, if you want a fair estimate, that I can do 400,000 units on the dollars you provided me, because it is fiscally not sound. I cannot do it.

Senator PROXMIRE. With the carryover?

Secretary HILLS. With the carryover. Mr. Kliman, would you explain that.

Mr. KLIMAN. The figure you have quoted of a billion-dollar carryover is an incorrect figure. That was a figure that was cited to the staff of your subcommittee at an earlier stage, when the Secretary was predicting only 40,000 units, as your subcommittee was subsequently advised. We actually accomplished in excess of 95,000 units. The carryover of \$1 billion simply does not exist. It is someplace in the magnitude of \$800 million. We do not have exact accounting data for this \$800 million, plus \$662 million, would be just barely enough to carry us for the 400,000 unit program.

The cut of \$125 million will actually reduce the number of units that are possible to accomplish. It is impossible, with the funds currently available in the Senate subcommittee markup, to provide 400,000 units.

Senator PROXMIRE. The other part of this is that section 8, by and large, as you said repeatedly, is not a housing construction program anyway.

Secretary HILLS. We have the goal of housing our lower income people anyway. That is what section 8 seeks to do.

Senator PROXMIRE. The rental assistance is the heart of the program, I take it, in your view.

Secretary HILLS. The rental assistance is the mechanism by which we house our lower income people, and it costs that much if you want to take 400,000 units and provide that for your lower income families. That is the cost of it. I never suggested it was an inexpensive program.

Senator PROXMIRE. Now, let me get into the 1968 Housing Act. I should say, into the program that you spoke about so enthusiastically at the end of your statement. After you finished your statement, you said you were delighted that Congress did pass the housing bill, the emergency housing bill, that the President signed and we put into effect. In your statement you do note that the Emergency Housing Act of 1975 gave discretionary authority for a commitment to purchase over \$10 billion worth of mortgages that would support 300,000 units. That was a bill that Congress passed after the President vetoed the original bill that many of us supported, and the administration said that this was the bill that they wanted.

Now, why then, Secretary Hills, has not the administration asked for the \$10 billion in authority? As you know, it has almost no budget outlay impact and may cost a little, but very little. Why do you not ask for the funds?

I talked with you about it. I talked to Budget Director Lynn about it. I pleaded with them to send up a request. None has been forth-

coming, as of 10 o'clock this morning. The Appropriations Subcommittee had to meet without that request. We are not going to put it in unless you ask for it. We want this program very, very badly. We are not going to be in the position of having the President's program he has asked for and signed into law push us \$10 billion over the budget.

Secretary HILLS. Senator, I think you were out of the room when I addressed that. The papers are being processed at the present time for a request of \$5 billion. They should be to you shortly.

Senator PROXMIRE. Yes; I heard that. I have heard this almost every day. I have heard we are going to get a letter up here. And it never seems to come. I have heard it is being processed; it is on the way. I have heard that throughout this week. I have heard it every single day this week that it will be forthcoming shortly. It never shows up. At any rate, you are telling us now that papers are being processed. We will have a request for \$5 billion—is that right?

Secretary HILLS. That is correct. I was told those papers would be to you by Tuesday. I believe that was a reasonable estimate at the time, where the backup work could be done.

Senator PROXMIRE. Tuesday is the day that the Appropriations Committee, the full committee, will meet on this. If it is not there, your program will not go into the bill. It will be a tragedy if it does not.

We are not responsible unless we get budget approval of the President's own program.

Secretary HILLS. You can count on the fact that you will get those papers.

Senator PROXMIRE. The 1968 Housing Act set the housing goals of 2.6 million units a year, 2 million units of which are to be from the conventional area—600,000 publicly assisted starts. As you know, since the moratorium in 1972, the administration has failed to even try to meet these goals. General economic forces, especially at the level of interest rates, largely dictate the number of conventional units. I think there is a lot to be said for the fact it is hard for HUD to meet that, unless you get a situation in the economy that will permit it.

But the 600,000 part of that is really within your grasp. Since the moratorium in January 1973, my figures indicate in fiscal year 1974, there were not 600,000 units, only 122,000 assisted units started. Through April of fiscal year 1975, only 77,000 have been started. You testified a month ago before the Banking Committee, in fiscal year 1976 there would be a total of 188,000 assisted units, 40,000 of which would not be new units but rehabilitated units. That is less than one-third of the housing goals.

You have just given me considerable discomfort and criticism because we have not provided you with the staffing or the money to go ahead with this assistance. And yet, as I say, your estimates indicate that you are not going to provide the 450,000 units, which we contend you can, with the money that has been provided. You have estimated, as I understand it, that you will have 188,000 units, of which 40,000 would not be new, and for that reason, it seems to me that what you are telling us this morning—what you have told us consistently, indicates that you are only to be about one-third of the goals that we have set, far below what the money would permit.

Secretary HILLS. Perhaps I am confused that you are quoting me in terms of starts, where I believe I was addressing contract reservations. I think that we can make 400,000 contract reservations for handling our lower income population needs, under our section 8 program. I think that is a fair figure, if we have the money to do it, the money and the staff. If we do not have the money, we will provide the assistance up to the dollar amount we have.

The communities have indicated a considerable interest and affection for this rental subsidy program, which is a generous way of attacking the problems of our lower income families, and that it can actually help someone with no income whatever.

Senator PROXMIRE. What you are saying to me now is that you need the additional funding, that we did not provide for you in the subcommittee, for contract reservations. That will not, however, give you more than 188,000 housing starts in the coming year, publicly assisted housing starts in the coming year.

Secretary HILLS. That at best is an estimate because it may be that the substantial majority of communities will opt to utilize existing stock. I mentioned to the chairman that our data on vacancy rates is sketchy, but it shows a high vacancy rate regionally. And we are seeing in the housing assistance plans which have been filed a desire by the local communities to utilize their existing stock for a very good reason. It comports with their preservation program of revitalizing their inner cities, and re-creates a tax base which they lost during the years of production when construction production drew the middle-income people out of the city. At the same time, it provides an immediate remedy for housing low-income people. And it is available now; they do not have to wait for starts.

Senator PROXMIRE. At any rate, what you are saying, as I understand it is—my time is about up—that the additional money between \$475 million and \$600 million, whatever the figure is, is necessary, if you are going to make contract reservation which will not achieve starts in 1976 but will do so in 1977 and 1978 and so forth.

Secretary HILLS. I think that is a fair statement. It is in that context which will make it difficult for Washington to mandate what will be the new construction.

Senator PROXMIRE. Are we talking about starts, construction, or families who will have funds so that they can rent units?

Secretary HILLS. The program that you are addressing, section 8, is the rental assistance program. Starts are possible under the program, where the communities decide that they do not have the existing housing stock to house their lower income families.

Senator PROXMIRE. I understand that. What we are concerned about—the Joint Economic Committee—are jobs and inadequate housing. To the extent that we have housing starts, we have jobs. We have 2 man-years of work for every housing start. It is very important in this recession, with 22 percent unemployment in construction trades, for economic reasons as well as housing reasons that we provide more starts.

The housing goals provide for 600,000 publicly assisted housing starts a year. What you are saying then, as I understand it, is we are going to have 188,000 starts in the coming year. Whether we get more than that in the future is hard to foresee, because that will

depend on what this rental program translates into in terms of starts, what indirect effect it may have on the economy. Is that right?

Secretary HILLS. In addition to the rental subsidy program, we have a tandem support and we have \$9 billion in commitment that we are ready to use.

Senator PROXMIRE. That is not publicly assisted. That has never been a part of the public assisted program.

Secretary HILLS. Government assistance for housing—

Senator PROXMIRE. There is a modest reduction in interest rates perhaps, down to 8 percent. We are talking about—

Secretary HILLS. Under the new program, it is 7½ percent.

Senator PROXMIRE. 7½ percent, plus four points. Unfortunately I had to negotiate that with you. That makes 7.92 percent, which is about 8 percent. At any rate, the tandem program is a helpful program, a program I enthusiastically support. But it is not considered a part of the 600,000 housing goal. You would have to agree with that, would you not?

Secretary HILLS. A large percentage of the tandem program will go for FHA support, which is moderate income in thrust, and will provide—our goal is for lower and moderate income families. I suppose we can departmentalize it and say, we call these programs public assistance and we call the tandem GNMA, so we keep them separate. When we are talking about our total commitment to housing, the two programs should be viewed.

Senator PROXMIRE. The fact is, instead of 600,000 housing starts, we are going to have 140,000, in the coming year.

My time is up, Mr. Chairman.

Chairman HUMPHREY. Senator Sparkman, a wise man in the Congress of the United States has had more impact on housing legislation over the years than any distinguished Senator. I'm sure he has something to say.

Senator SPARKMAN. Thank you, Mr. Chairman.

To tell you the truth, I do not think there is too much left to say. It has been pretty thoroughly thrashed out.

I do want to say to you, Madame Secretary, that I thought you gave a very fine statement. While there may be some things that have not come up to full expectation, I think that you have given us a rather hopeful message, as a whole. And I appreciate it.

There are many questions that I would ask, but I think that the dialog between you and Senator Proxmire, who is chairman of the Subcommittee on Appropriations dealing with housing, where all of this has to be thrashed out over and over—I think it has been a very useful dialog. And I believe that it has straightened out some of the things that may have been misunderstood.

I, of course, have said, all along that I wish that we could have housing starts that would measure up to the goals that we established in the 1968 Housing Act. I think that we must be aware of the fact that under conditions that prevail right now, that we are not going to achieve that goal. But I do believe that the housing program is one that means so much to our economy. I have said this many times over, the great impact on unemployment—or putting it into the affirmative, on employment—and the boost it can give to our economy in its overall effects.

I hope that every effort will be made to maintain and sustain a strong positive program in the field of housing, in all kinds of housing, in order that we might achieve the goals that we promised the American people in the 1949 Housing Act, which I consider the really basic post war housing act, of a decent, safe, and sanitary home and a good environment for every American family.

I think that it is something that any family would look forward to with a great desire and a feeling that they are entitled to that kind of an opportunity here in this great land of opportunity.

I believe you are working to that end.

By the way, speaking about some of these difficulties, I recall a program that Secretary Romney initiated one time, "Operation Breakthrough"—are you familiar with that?

Secretary HILLS. Yes, I am.

Senator SPARKMAN. He never did go through with it. I believe he left the job before he completed it. I remember the zeal with which he preached to that, and the great desire that he had of pushing it through.

Have you given thought to the possibility of a program involving similar philosophy, in order to produce the housing that we ought to have?

Secretary HILLS. Senator, I think the program "Operation Breakthrough" was implemented. It had three phases, to my recollection. The 22 producers started, and 21 producers followed through on the program. It went through the demonstration aspects, and in excess of 30,000 units were produced. There remains in this country seven producers who are continuing to be engaged in the kind of activity that was sponsored by "Operation Breakthrough".

Indeed, there has been a use of those techniques in other countries.

Senator SPARKMAN. It has been helpful in developing our housing program.

Secretary HILLS. I think that it has been helpful in exploring a variety of techniques, and it has been particularly helpful in the area of amending code regulations which, perhaps, had been too strict or inflexible prior to the program and to accommodate the program some variations were permitted and those have stayed on our books, which I think is a positive approach, and I would think that we could list a number of positive effects from the program.

Senator SPARKMAN. I wonder if it would be too difficult to have prepared a report dealing with that and its effectiveness and so forth, both for this committee and for the Banking Committee and, of course, the Subcommittee on Housing? Could that be done?

Secretary HILLS. Absolutely. As a matter of fact, our policy development and research—that division which I told you earlier I look to so frequently—is undertaking an evaluation of that very program, and that should be finished in the relatively near future. We will supply it to all of the entities to which you referred.

Senator SPARKMAN. I think it will be helpful. Thank you very much, Mr. Chairman. Thank you, Madam Secretary.

Chairman HUMPHREY. I want to call your attention to the topic of reporting to us. The committee is attempting to do a better job in the forecasting activities in various sectors of our economy. It would be very helpful to our efforts if you could provide the committee

with your assessment of the housing outlook every 6 months. I imagine you may be doing that to the legislative committees, so it would be helpful if you could provide your insights to our research staff. I would like you to provide the committee with specific forecasts for housing activities on every July 1 and every January 1. It could be very helpful to us just as a matter of service.

Secretary HILLS. We will be pleased to do that, Mr. Chairman.

Chairman HUMPHREY. Fine. That is very helpful to us. I notice you had something to say in your statement about a matter that has been of concern and interest to me; rehabilitation and the use of existing housing. I would surely be glad to hear what kind of rehab program you are presently undertaking. Knowing what your rules are on underwriting, I understand that in section 8 there has been one rehab project. Is that correct?

Secretary HILLS. I believe that is quite in error, Mr. Chairman. Would you like us first to address section 8?

Chairman HUMPHREY. First of all, I want you to describe for me what you are doing in your rehab program, because I have been informed that the rehabilitation funding and the rehabilitation provisions have been relatively weak and inoperative. At one office that my staff contacted there had been only one rehabilitation project in that area.

Secretary HILLS. Let me tell you a little something of what we are doing in rehabilitation under the 1974 act. We turn, as you know, to the communities the discretion on how they would use community development funds. We change the philosophy from offering seven strict categorical grounds and went to the bloc grant. We have found in reviewing their applications that they are utilizing about 10 percent of the \$2.5 billion in community development funds that we are providing across the Nation for rehabilitation.

Chairman HUMPHREY. Do you consider that a reasonably good level?

Secretary HILLS. That is twice as much as was expended in the prior categorical program. In addition to that, we have our 312 rehabilitation program which is a vestige of the old categorical program. The activity in the program probably will reach close to \$70 million this year. Putting aside the moneys that were added yesterday and the day before by the committee to the program, that is because of the approximately, I believe, \$40 million remaining in the program. About \$2 million a month paid back and that those funds will be utilized to the extent that there is a demand expressed by the local communities.

Chairman HUMPHREY. How many units under section 8 are you rehabilitating? How many units under section 312? That is where we get down to specifics.

Secretary HILLS. I will ask Mr. deWilde to give you a breakdown. I would say we are in the process of assessing these since the program, the first filings under the section 8 program came in at the close of our fiscal year, June 30. I am advised that approximately 12,000 units fell into the rehabilitation category.

Chairman HUMPHREY. Under section 8?

Secretary HILLS. Under section 8, yes, sir.

Chairman HUMPHREY. I am going to let Senator Proxmire handle this problem on the appropriations which you brought up very forcibly, but I do note that the law that contains section 8 was passed in August 1974. When did you get the regulations promulgated?

Secretary HILLS. After I arrived.

Chairman HUMPHREY. I know. The agency goes on. People in Government come and go. Mr. Lynn was your predecessor, and he is very forceful too. I have had him before this committee. He is a very able person but hasn't given us many results. In August 1974 the act passed. Is it true that the regulations were out by April?

Secretary HILLS. I believe it was into May.

Chairman HUMPHREY. In May?

Secretary HILLS. The final regulations—you must understand, first there was the publication of draft regulations and a period for comment, assimilation of comments, and the final regulations.

Chairman HUMPHREY. I know all the jargon. Why does it take so long? There was no shortage of staff then. First of all, you were not doing much; there were not many applications for anything. The housing industry was in very bad shape. By the way, I have been into some of these housing offices. I want to be very frank with you. I think people are doing their jobs, but they are not fully exerting themselves. You ought to walk through some of them. They have plenty of time, plenty of time.

Secretary HILLS. I have walked through Los Angeles, Boston, and Denver, and I was impressed by the industry. I take that is not the thrust of your question.

Chairman HUMPHREY. I want to know why it took so long.

Secretary HILLS. I will not defend the fact the time it took because I regret that it took so much time. I can explain that it is not a simple program. Our rental subsidy program is really four programs, and the staff took innumerable comments and held hearings around the country to try to get an equitable implementation of four very complex programs.

Chairman HUMPHREY. Madam Secretary, I am very much aware of these things. I have been mayor of a city, and ran a housing program, and I am fully acquainted with all these programs from day one. They keep changing all the time. But the personnel of the agency down below the top level keeps on going. They know what is going on. They know the programs pretty well. Many of us are very concerned. For example, the other day I sat in a hearing, where it was stated that it took the Department of Agriculture 18 months to get out regulations on the Rural Development Act. They were not short of personnel. They were short of desire to make it work. Now, they have it out and it does not work.

I am worried about the delays that take place and then the activity afterward. Again, I go back here to this Wall Street Journal this morning. It says, "Last month's level was the lowest for any June since 1946 when starts were at a 1,028,000 annual rate. Starts last month were 30-percent below the year earlier pace." Then it goes on, "Housing economists who have been encouraged by this upturn expressed disappointment in the June report. 'It is very disconcerting,' commented Robert Sheenan, Director of Economic Research for the National Association of Home Builders. 'We have been looking for another in-

crease. We are not giving up on the possibility of a second half recovery, but it will be slow.'” Then, it goes on to say, “The major weakness in June was in apartment construction.”

I am more interested in your outlook than in the dismal past. I do not want to spend much time on it. The real truth is that the housing industry has been in a depression; the real truth is that we have had a running battle around here, Madam Secretary, with this Government, on impoundments, rescissions, and the refusal to use money. It was only after we passed this Emergency Housing Act that we began to get some action. In other words, you have to get a club out, then finally threaten. We get a bill out here and then somebody says, well, we are going to release some money. Here comes along this additional \$10 billion. Everybody is all hot and bothered about getting housing; they have not even gotten the request over here. When they bring it over, they are going to bring it over for \$5 billion, not \$10 billion.

You are scolding this committee because the subcommittee did not add a little extra money in a section 8 program even though the chairman says there is a billion dollars that is lying idle. Your aide says there is \$807 million; he is not quite sure. The Government can lose \$100 million around here quicker than you can lose a postage stamp. We have found in the Pentagon where they had \$200 million they did not even know they had in the program.

Assume there is \$900 million; then there is \$450 million added. The record of performance in HUD on these rental subsidies and upon these construction programs, subsidized programs, is so miserable. Is it any wonder why a committee of Congress would want to hold your feet to the fire and get something going? For example, what has happened to the 236 program? I read a report that you are studying it. What has happened to it? What is going on? That is multiple housing.

Secretary HILLS. The funds for that program are essentially expended.

Chairman HUMPHREY. Why did you not ask for more?

Secretary HILLS. Because it was Congress wisdom that we would revert to a philosophy embodied in the August 22, 1974, act, where we would house all of our lower income people starting from a zero income, that we would now pursue the philosophy that had been embodied in the 236 program.

Chairman HUMPHREY. Is it not a fact that HUD stopped all activity under 236?

Secretary HILLS. The moneys are expended, Mr. Chairman, for 236. I could, of course, ask for additional funds under that program, but the program is, at the present time, essentially exhausted.

Chairman HUMPHREY. Primarily because those who were to be resuscitated are exhausted. They did not ask for it.

Secretary HILLS. We were implementing and are in the course of implementing the section 8 program which has the philosophy of providing rental assistance which will help those people with no income, rather than assisting people that need some income to qualify.

Chairman HUMPHREY. Might I very quickly ask, do you expect section 8 to be a housing production program, or just a rental program for existing housing? What is your projection for this program?

Secretary HILLS. Mr. Chairman, as I have told Senator Proxmire many times, I do not regard section 8 rental assistance essentially a production program. I believe it will do equity in housing our lower income people and where the local communities need new construction, they will utilize it. It is quite difficult for me to mandate to them a certain level of new construction. The program envisions that they will identify their needs and prioritize their needs and tell us and utilize the funds in the best use for the local community.

Chairman HUMPHREY. What do you think is a good mix in rentals between existing structures and new production?

Secretary HILLS. I have not had the opportunity to address the one and only housing assistance plan that has been filed by the 3,000 marketing areas in our country. I would not presume to mandate to them what the mix should be. I think they will tell us what they need, particularly this first year, and I am impressed by the fact that the vacancy rates, regionally, are relatively high.

Chairman HUMPHREY. Madam Secretary, you are a very explicit, very articulate and intelligent woman, but let me tell you something. The record of housing construction is very bad. The record of HUD is not good. All the explanations to the contrary, housing is still not being built. We have to have more than existing housing. You cannot just rehabilitate existing housing. You have to have construction.

Secretary HILLS. That is why we have our tandem program working side by side with our rental assistance program. We have \$9 million that is out there in the hands of the mortgage lenders to be utilized by developers. We have, in addition, \$2 million recently set loose on the single family market. We will shortly, with Congress blessing, have additional \$5 billion in funds.

Chairman HUMPHREY. If you ask for it.

Secretary HILLS. The letter, as I mentioned, will be, I am apprised, in your hands by Tuesday.

Chairman HUMPHREY. The President said in his veto message that he thought the interest rates proscribed in the Emergency Housing Act that Senator Proxmire and others put together and we passed, were well below the level needed for a sound and healthy housing industry. The interest rate he referred to was 6 percent for the 4 years and 7 percent after that. I want to know what level of interest does the administration feel will be supportive of a healthy housing industry because that is where you bite the bullet. All the talk does not get anyplace. The money supply and the interest rate are what count.

Secretary HILLS. The Emergency Housing Act, as you know, provides for a 7.5-percent rate. Recovery cannot be produced appropriately by coming below the market.

The concern of the administration with a 6-percent rate was many-faceted. It not only was a low rate for a 10-year period, which seemed unrealistic, but it had the phaseout provision over a 6-year period and would require negotiations as to what would be the market rate at the end of that period.

Chairman HUMPHREY. What do you consider a fair rate? A rate that will be supportive of a healthy housing industry to get housing under construction?

Up until now all we have been doing is arguing and we know that you are building slightly over a million units. You know you need to build 2 million. You know that there is a lack of low-income housing. You know that it is very difficult to build medium-income housing. We all know this. There is a question of how we solve it.

By the way, it has been this way for over a year. It is not getting much better. What are we going to do about it? What is an interest rate that will be healthy for the housing industry? What does the administration want?

Secretary HILLS. I look at 1973 as a fairly good guide year because the excessive productions in the prior years may have caused us the problems, some, at least, of the problems that we have today.

We sustained over 2 million starts in 1973 with average interest rates of 7.59. I disagree with you, Mr. Chairman, that the housing industry is getting worse. I think that we are approaching, and in the course of, a recovery. To be sure, a gradual recovery but one that needs to be nudged along, not hurt by violent measures which cause an inflationary spiral, and because it is the housing industry that suffers most from this——

Chairman HUMPHREY. My dear lady, if there is an inflationary spiral in housing, then it is due to price fixing, not to the fact that there is overbuilding. I can assure you of that. This administration has got this litany about fighting inflation all the time. In the meantime there is 21 percent unemployment in the construction industry. In the meantime you are at less than half of the stated goals of 1968, not 1975. In 1968 we had fewer people. We even had fewer needs. We are being told all the time that we have to go slow. We cannot do this because if you do you will rock the boat.

May I say you are not worrying about rocking the boat? It is sinking. The water is up to the floor.

Secretary HILLS. That is your perception. I agree that we are in the midst of a depression in the housing industry. I am concerned about the unemployment. I would state to you that if we have interest rates drive up because of increased Treasury borrowing in an unreasonable fashion, that we will not be helping the 21 percent unemployment. To the contrary, we will be hurting them. We will be hurting the housing industry. We will hurt them first and we will hurt them the hardest.

What I would like to see——

Chairman HUMPHREY. I do not believe it at all. I want to say, Madam Secretary, I have heard these arguments. There is a fundamental difference of philosophy. We have had dozens of witnesses before us here.

I think that this is just a lot of nonsense. It is being told month after month in these committees and we are being told we cannot do this, we cannot do that.

The best thing that can happen to this country for a recovery is a recovery in the housing industry.

I noticed in your statement you said housing followed the recovery. That is part of the problem. Housing should lead the recovery. It is a bellwether industry and the Government should design programs to get it to lead the recovery. I am here to tell you as a representative of this administration that for 2 years this Government has impounded

money, has dragged its feet, has held back on rules and regulations. It takes 2½ years to get an approval of the multifamily housing project. It is an unpardonable delay and it comes from dragging the feet.

Maybe you are going to change it. I am going to give you time. I think maybe you can. You have a lot of spark and spunk and fight. You have a lot of trouble with that OMB. You have Mr. Lynn over there who is a master footdragger. I am telling you something, that fellow could make a turtle look like he was a rabbit.

Senator JAVITS. Mr. Chairman, if I am recognized, I would like to make it bipartisan by saying I thoroughly agree with you.

We are coming into a period when tensions of the upcoming Presidential election are being felt. I think it is a very good time to touch some sensitive nerves. I thoroughly agree with the chairman that it is housing which can lead this recovery. Though he took you to task for optimistic assumptions, I think he is right. While we want to be optimistic, we must face the reality of the statistics.

This country produced at least 50,000 planes in 1 year at Franklin D. Roosevelt's request. We could easily produce 2.2 million housing starts if the credit is available. I feel the inflationary argument, and I say this by way of instruction, is bunk. As in any other enterprise our credit is determined by what we have and housing is the single most constructive thing we have as an asset in this country.

I will not believe that governmental credit or guarantees are improper. We have always made money on our guarantees. You are making money now in the FHA. You have for years.

May we get that evidence, I would like to hear that. It would be a very useful statistic.

Mr. DEWILDE. We are making money on some, not on others, Senator.

Senator JAVITS. All right. Let us hear it. The important thing is guarantees, not budget expenditure.

If we have housing that people need and will occupy, our country's standard of living is increased. That is an asset, not a liability and not inflationary. One of the great fallacies here is the Congress and in the executive department is that credit involves a cost. Even if you cannot get the needed credit or guarantees from the administration, although I believe Senator Humphrey is right in saying that you can and should put up a fight. In your capacity you should seek the necessary credit and guarantees for housing from the administration, that would be a flaming Secretary of HUD, and that is what we need in this situation. It would be the most constructive thing that the Federal Government could do at this time.

I cannot help, Secretary Hills, but to join my colleague, Senator Humphrey, in that conviction because it is correct. Could we get the facts and figures of the balance sheets for guarantees?

Mr. DEWILDE. We estimate on the various insurance funds, there are four different insurance funds covering four different kinds of programs that, let me give the first mutual insurance fund, traditional single family subsidized housing program. There we expect to have reserves of \$1.19 billion at the end of fiscal year 1976.

Senator JAVITS. Deleting the reserves, what is attributable to the operation of this system in fiscal 1975?

Mr. DEWILDE. Let me go down the rest of them real quickly. On the cooperative management we will have \$22 million. In the general insurance fund which covers most of our multi-family programs there are so many problems in the country, generally, we are going to be \$1.1 billion in the hole. Under the special risk programs, the high risk programs and the subsidy programs, we have been operating over and above the cost of subsidy. We are going to be \$1.3 billion in the hole.

Senator JAVITS. What is the overall record of your insurance?

Mr. DEWILDE. Overall we expect to be a half billion dollars in the hole.

Senator JAVITS. \$500 million?

Secretary HILLS. \$509 million.

Senator JAVITS. For a fiscal year or cumulative?

Mr. DEWILDE. That is cumulative.

Senator JAVITS. For how many years?

Mr. DEWILDE. Since the operation of all of the programs they started at different times.

Senator JAVITS. Going back how many years?

Mr. DEWILDE. Going back to 1934.

Senator JAVITS. What is your record in fiscal year 1975, or for the preceding 3 years? You do not expect us to go for 41 years and assume that that is any indication of the current operation.

Mr. DEWILDE. It is not. Most of the losses are in recently implemented programs.

Senator JAVITS. Let me have it for 1975.

Mr. DEWILDE. At the end of fiscal year 1975 our budget figure would be \$73 million in the black.

Senator JAVITS. \$73 million ahead. What I said is not inaccurate, is it? You are making money on your guarantee program.

Mr. DEWILDE. As I said, we are in good shape and sometimes in bad shape.

Chairman HUMPHREY. Would the Senator yield?

Senator JAVITS. Of course.

Chairman HUMPHREY. Is it not true under the multiunit program you had to repossess a number of them? Is that not a fact? And you have not used your operating subsidy authority when the tenants who are in these homes have these high costs because of electricity, and the rates of interest. The operating subsidy has been a unutilized program. That is one of the reasons you have had to take back a lot of units.

Am I not correct?

Mr. DEWILDE. The problems exist across the board on a multi-family program. We are losing money on all our multifamily programs, both the unsubsidized programs and the subsidized programs.

The operating subsidy, you indicated, applies only to section 236. My understanding is this is a jurisdiction of the Assistant Secretary for Housing Management. My understanding is it is more practical to use the deep subsidy than the operating subsidy for technical reasons and the regulations are in the process of being implemented to do that.

Senator JAVITS. Secretary Hills, would it be asking more than you can do to see if you might help the Congress to take the desirable initiative?

Suppose we told you, Secretary Hills, in fiscal 1976 we would like to see a minimum of 1,800,000 starts; perhaps as many as 2 million starts.

Would you tell us what we would have to do by way of authorization in order to bring that about? In other words, could you give us an analysis of what we have to do in law in order to bring about 1,800,000 starts and 2 million starts?

Secretary HILLS. The primary description, of course, would be of recovery in the economy. You criticized me for my statement that housing will prepare itself along with the correction in the economy. I regard this recession as somewhat different than those that we have seen before, although we have record inflows of savings into our thrift institutions. Both the lenders and the builders have been reluctant to reach in for those funds. There seems to be a lack of builder and consumer confidence.

So that is why for the first time housing has not been in the lead. But to come along even with the announcement in the raise of an interest rate deters that confidence and you can see it react immediately in the infrastructure. That is why I think perhaps my word "inflationary" was misunderstood by you. It is that impact on the interest rate that causes concerns with the consumers.

As to what we could do, we are doing a great deal to try to support and encourage the housing industry. Our tandem program we feel will create a number of supportive starts. I cannot tell you all the incremental starts. I could not tell you that with any of the mortgage interest rate subsidy programs that have ever been offered. We will get some starts in the rental assistance program by my personal prognosis is that the communities are first going to utilize their vacancies.

Senator JAVITS. Secretary Hills, I think that we are both right in a sense. If one accepts your thesis that the recovery in housing will follow the general recovery, then your conclusions are right. But if you accept our thesis that we would wish to do what we can to have a housing lead in the recovery, then I am right. I ask you, if we wish to go this route, if we wish to make the housing situation of such a nature that it will lead the recovery, if we set an objective for the United States for fiscal 1976, this current fiscal year, of 1.8 minimum, 2 million if possible optimum, then what do we in Congress have to do? That is what I am asking you. You need not reply orally, but we would like to have some document from HUD. I ask for it personally. I ask if you can do it.

Chairman HUMPHREY. I join you.

Senator JAVITS. Senator Humphrey agrees, that the Congress needs to know what it has to do if it sets that objective. We are going to draw for 1.8 million starts, minimum.

Now if you tell us what we have to do using programs existent today, there is no use trying to change them at this late date, then we would have an objective we could fight for. It is a different point of view, but in order to have the technical assistance to enable us to implement it, we must turn to you, the Department. That is what I'm asking you to do.

Secretary HILLS. I will try to address the concern. I have to be on record to say that if we go back to our projection techniques where we are generating production that the economy is not willing to accept and we pay for it, that we are going to find in the money market a driving up of interest rate and a substitution phenomenon, so people who would normally come into the market will not come into the market. You will federalize the market so the only people in the market will be the ones you are supporting.

So instead of encouraging a healthy economy, you will have substituted yourself in for the economy. I see that as not leading to a long-term economic recovery so that one could predict 1.8 million to 2 million starts in a year but one would buy it now and create havoc in the future.

It is very difficult for me to address your objective because I think that it would be costly—not costly because you spend the money and buy a healthy economy. I think I lead the parade. But I am really quite fearful of the concept you described, a new push-out program. I want 2 million no matter what is the condition of the economy. I regard that as a dangerous program.

Senator JAVITS. In the first place I said 1.8 million. In the second place it was you who said no matter what is the condition of the economy. I'm sorry, but my time is up. I would like to leave you with this thought.

Secretary Simon said it would break us all if we incurred this deficit. Since making that statement he has completely changed his mind. Credit is not backing out of the market and the capital is available. We can readily refinance a \$60 billion debt. We argued it could be readily refinanced at \$80 or \$90 billion if necessary and he said we were dead wrong. He has changed his view. Let us not short-change America. We can produce 1.8 million homes if we set our minds to it and we need not suffer damage to the economy. People who want homes will struggle to pay for them, and that is what makes wealth, and that is what makes a healthy economy.

Please give us the prescription, technically, for 1.8 million new homes.

Thank you, Mr. Chairman.

Chairman HUMPHREY. May I most respectfully say that the question of public policy is not a matter for the Cabinet; it is a matter for the Congress. The Congress of the United States will set public policy, the Cabinet will carry it out.

That is what the executive branch is for. We have discussed this issue with other Cabinet officers. We respect anybody's point of view. But if the Congress wants to do something, it is its privilege to do so and it takes its responsibility. I say this most respectfully because I had the same argument with Mr. Butz about food stamps. He did not think we ought to have certain kinds. I said, Mr. Secretary, that is not your job. If we decide as Members of Congress that that is the way it is, that is the way it is. We do not ask the IRS, you know, whether or not they like a tax law. We pass it and it is their job to administer it.

Secretary HILLS. Mr. Chairman, it was never my suggestion. I felt that Senator Javits was asking me for a prescription and would certainly want to know what my opinion was as to the effects of such a

prescription. But I am certainly not setting policy, nor would I be so presumptuous with respect to Congress.

Chairman HUMPHREY. May I say most respectfully, and hopefully, I think what the Senator was asking for was your technical assistance. He was not asking for your opinion. Your opinion is an addition. I think what he is asking for was would you give us the technical assistance to prescribe a program of 1.8 million units.

That is what he was talking about.

I think we have a right to ask for that and we will get it, I am sure. I am sure you will do that. As to whether you agree with that or not, that is your personal prerogative. The Congress has the right to ask for that.

Secretary HILLS. That is a very difficult assignment, as this doctor seems to think that recovery in the economy is the prescription.

Chairman HUMPHREY. You see, the point is that is not what you were asked.

Senator SPARKMAN. Pardon me, Mr. Chairman, I think, certainly, that we would welcome her opinion.

Chairman HUMPHREY. Of course.

Senator SPARKMAN. I think she should feel free to give her opinion. I mean, certainly, we would not want to restrict that in any way.

May I ask just a couple of short questions? Going back to 236, 236 is it not, in accordance with the 1974 Community Development Act, largely a community undertaking?

Secretary HILLS. Under 236, Senator Sparkman, the developer came directly to the HUD local office. There was not a plan whereby the local community decided it needed 1, 2, or 10 projects, where they needed them and who would inhabit them. It was a construction decided upon by the developer who was investing in the project.

Senator SPARKMAN. You know, of course, what I am talking about, the community development part of the Housing Act of 1974 in which we gave a very wide leeway to the individual communities to decide what they wanted. In the housing programs, housing assistance, the type of housing for a community, they could have considerable discretion in those programs. But the only thing I really want to say—it does depend, to a great extent, on the will of the communities as to whether or not they have a 236 program.

And by the way, in that connection, it seems to me that if we had an active FHA there could be a utilizing connection with the 236 programs, could it not? What is FHA doing now, anything?

Secretary HILLS. FHA is insuring mortgages, standard mortgages. Are you talking about that segment of the market that would be addressed by 236?

FHA is also available as a financing mechanism for the rental subsidy program, section 8 program. Is that responsive to your question?

Senator SPARKMAN. Is FHA available in connection with 236 programs?

Secretary HILLS. We have no more 236 funds in the rental assistance program, multifamily was to address that segment of the market and even deeper, that is to say, to provide a cheaper subsidy so that assistance could be provided to people who had no income at all. FHA is an option as is conventional financing as well as various borrowing mechanisms of the State housing finance agencies.

Senator SPARKMAN. Were there not funds available for 236?

Secretary HILLS. My understanding, Senator—

Senator SPARKMAN. Operating subsidies that could be used—is there an expiration date? It is the 235 program that has the August 2 expiration date.

I do not know. It seems to me that there ought to be some way of utilizing the 236 program to assist in the field of lower income housing or at least—

Secretary HILLS. One of the problems with the 236 projects, and we are getting back quite a few years, is that the subsidy did not handle the operating cost in an adequate fashion.

Under the new program, since the subsidy, is the difference between the fair market rent and what a family can afford, 25 percent of the family's income—sometimes 15 percent—it handles all the costs because, of course, the fair market rent that a landlord is going to charge is going to reflect all of his charges, his mortgage debt service, as well as his operating costs and his taxes. And so it gives a total subsidy.

The other feature that the rental subsidy program has that 236 did not have is that it does not require an income limit. You do not need \$4,000 or more income to entitle you to live in a section 8 project. You may indeed have no income whatsoever, the Government will subsidize the total rental charge.

So those were items which were presumably addressed by the new legislation. It was thought that this would provide more housing to those people in need who were truly lower income families.

Senator SPARKMAN. Thank you very much.

That is all, Mr. Chairman.

Senator JAVITS. Mr. Chairman, I have some technical questions on various items of policy in the Department of HUD but I do not want to delay the Secretary. If she would be kind enough to receive those questions in writing and answer them in writing I ask unanimous consent that they be made part of the record.

Chairman HUMPHREY. We will do this. I have some also.

[The following questions and answers were subsequently supplied for the record:]

RESPONSE OF HON. CARLA A. HILLS TO ADDITIONAL WRITTEN QUESTIONS POSED BY CHAIRMAN HUMPHREY

Question 1. For each area office please provide the number of applications received, and the number of units for each application, under the 236 program during fiscal year 1974? Fiscal year 1975?

Answer:

Area/insuring office	Fiscal year—			
	1974		1975	
	Number	Units	Number	Units
Hartford.....	1	69	4	403
Bangor.....			1	120
Boston.....	9	1,264	2	257
Providence.....	2	325	1	87
Regional I total.....	12	1,658	8	867
Camden.....	1	150	1	134
Newark.....	6	484	4	453
Albany.....			1	181
Buffalo.....	1	110	4	433
New York.....	6	1,004	2	346
Regional II total.....	14	1,746	12	1,592

Area/insuring office	Fiscal year—			
	1974		1975	
	Number	Units	Number	Units
Washington.....	2	121	2	316
Baltimore.....	1	198	7	1,235
Philadelphia.....	1	150	4	556
Pittsburgh.....	7	756	4	560
Richmond.....	2	328	3	299
Charleston.....	1	104	2	285
Regional III total.....	14	1,657	22	3,251
Birmingham.....	4	619	1	72
Miami.....	1	64	1	92
Tampa.....	2	236	.....	.....
Atlanta.....	3	469	2	156
Louisville.....	2	98	1	184
Jackson.....	1	100	.....	.....
Greensboro.....	.....	.....	1	65
Columbia.....	3	294	1	104
Knoxville.....	1	240	.....	.....
Region IV total.....	17	2,120	7	673
Chicago.....	1	85	1	166
Indianapolis.....	1	105	1	296
Detroit.....	3	617	3	578
Grand Rapids.....	1	40	.....	.....
Minneapolis.....	22	2,035	.....	.....
Cincinnati.....	.....	.....	4	251
Cleveland.....	2	156	4	485
Columbus.....	2	115	2	202
Milwaukee.....	7	548	1	66
Region V total.....	39	3,701	16	2,044
Little Rock.....	3	240	.....	.....
New Orleans.....	1	200	.....	.....
Albuquerque.....	2	184	.....	.....
Dallas.....	1	50	.....	.....
Lubbock.....	2	176	.....	.....
San Antonio.....	1	56	.....	.....
Region VI total.....	10	906	.....	.....
Kansas City.....	3	341	15	1,452
Topeka.....	1	96	2	100
St. Louis.....	.....	.....	4	596
Region VII total.....	4	437	21	2,148
Denver.....	2	321	8	704
Helena.....	3	265	1	101
Fargo.....	2	172	.....	.....
Sioux Falls.....	3	132	1	24
Region VIII total.....	10	890	10	829
Los Angeles.....	5	807	7	859
Sacramento.....	2	128	6	404
San Diego.....	1	221	1	199
San Francisco.....	17	1,992	7	922
Santa Ana.....	2	199	1	66
Honolulu.....	1	150	1	380
Region IX total.....	28	3,497	23	2,830
Seattle.....	1	68	.....	.....
Spokane.....	2	310	.....	.....
Region X total.....	3	378	.....	.....
U.S. total.....	151	16,990	119	14,234

Note: Fiscal year 1975—through April 1975.

*Question 2:* For each area office give the number of applications, and the number of units for each application, rejected because they failed to meet the fair market rent test?

*Answer.* The Department does not maintain regularly available records showing reason for rejection. This information could be obtained only by a field survey involving examination of project dockets.

**Question 3.** For each office and each 236 project application, give the time used to process the application up to either firm rejection or initial endorsement.

**Answer:**

FISCAL YEAR 1974

Area/insuring office and project No.	Processing time in months		
	Rejection or expiration	Initial endorsement	In process not yet initially endorsed
<b>Region I:</b>			
Hartford (017): 44208.....		16	
<b>Boston (023):</b>			
44183.....		3	
44184.....		26	
44198.....		10	
44199.....			15
44208.....		1	
44227.....			14
44249.....		10	
44250.....			15
44260.....			14
<b>Providence (016):</b>			
44076.....		2	
44086.....		6	
<b>Region II:</b>			
Camden (035): 44069.....			20
<b>Newark (031):</b>			
44128.....		12	
44143.....		17	
44144.....		6	
44146.....			18
44148.....			17
44150.....		7	
Buffalo (014): 44040.....		5	
<b>New York (012):</b>			
44126.....		4	
44135.....		10	
44139.....		5	
44140.....		3	
44142.....		3	
44160.....		3	
<b>Region III:</b>			
<b>Washington (000):</b>			
44129.....			12
44197.....	10		
Baltimore (052): 44108.....		12	
Philadelphia (034): 44146.....		6	
<b>Pittsburgh (033):</b>			
44160.....			15
44170.....		20	
44171.....		5	
44175.....		8	
44186.....	2		
44199.....		5	
44200.....		9	
<b>Richmond (051):</b>			
44116.....	1		
44161.....		12	
Charleston (045): 44038.....		3	
<b>Region IV:</b>			
<b>Birmingham (062):</b>			
44043.....		3	
44066.....		3	
44077.....		9	
44083.....		12	
Miami (066): 44116.....		7	
<b>Tampa (067):</b>			
44154.....		7	
44084.....	29		
<b>Atlanta (061):</b>			
44230.....	1		
44261.....			6
44279.....		7	
<b>Louisville (083):</b>			
44115.....		6	
44128.....		5	
Jackson (065): 44062.....			14
<b>Columbia (054):</b>			
44102.....			21
44128.....			22
44141.....		11	
Knoxville (087): 44038.....		2	

## FISCAL YEAR 1974—Continued

Area/insuring office and project No.	Processing time in months		
	Rejection or expiration	Initial endorsement	In process not yet initially endorsed
Region V:			
Chicago (071): 44163			11
Indianapolis (073): 44385	27		
Detroit (044):			
44361		9	
44381		9	
44389			12
Grand Rapids (047): 44097		1	
Minneapolis (092):			
44117		2	
44132		4	
44133		2	
44141		2	
44143		1	
44144		2	
44148		3	
44149		6	
44151		10	
44152		3	
44156		7	
44159		2	
44161		2	
44162		2	
44163		3	
44164		3	
44165		4	
44169		3	
44170		3	
44172		2	
44180	6		
44183		5	
Cleveland (042):			
44090		4	
44112		14	
Columbus (043):			
44099		4	
44109	7		
Milwaukee (075):			
44094		7	
44103		5	
44106		4	
44107		37	
44113			18
44122		13	
44123		13	
Region VI:			
Little Rock (082):			
44085	12		
44092		1	
44106			22
New Orleans (064): 44151		3	
Albuquerque (116):			
44050	11		
44052		1	
Dallas (112): 44212			22
Lubbock (133):			
44033		1	
44037		2	
San Antonio (115): 44189		3	
Region VII:			
Topeka (102): 44100			1
Kansas City (084):			
44114		6	
44120		4	
44123		4	
Region VIII:			
Denver (101):			
44026		13	
44092	20		
Helena (093):			
44054		2	
44055		3	
44058		1	
Fargo (094):			
44016		5	
44017		7	
Sioux Falls (091):			
44042		6	
44045		5	
44048		6	

## FISCAL YEAR 1974—Continued

Area/insuring office and project No.	Processing time in months		
	Rejection or expiration	Initial endorsement	In process not yet initially endorsed
<b>Region IX:</b>			
Los Angeles (122):			
44215		3	
44732		3	
44749		2	
44823	12		
Sacramento (136):			
44253		1	
44254		1	
San Diego (129): 44091			
San Francisco (121):			
44134		15	
44178		21	
44188			13
44265		11	
44304		10	
44317		8	
44343		7	
44358		8	
44371		7	
44373		7	
44384	11		
44388		20	
44390		3	
44398		9	
44399		3	
44410			19
44423		8	
Santa Ana (143):			
44001		4	
44002		3	
Honolulu (140): 44032			
Region X:			
Seattle (127): 44194			
Spokane (171):			
44028		2	
44089		2	

## FISCAL YEAR 1975

<b>Region I:</b>			
Hartford (017):			
44186		12	
44196		3	
44199		8	
44204		6	
Bangor (022): 44026			
Boston (023):			
44101		13	
44275		9	
Providence (016): 44091			
Region II:			
Camden (035): 44076			
Newark (031):			
44145		3	
44151		3	
44152			2
44156			4
44158			1
Albany (013): 44072			
Buffalo (014):			
44044			5
44048			5
44049			5
44056		11	
New York (012):			
44145		2	
44158		1	
44162			1
44171		3	
Region III:			
Washington (000):			
44205		4	
44211		2	

## FISCAL YEAR 1975—Continued

Area/insuring office and project No.	Processing time in months		
	Rejection or expiration	Initial endorsement	In process not yet initially endorsed
<b>Region III—Continued</b>			
<b>Baltimore (052):</b>			
44071			13
44124		7	18
44153			4
44156		9	15
44164			1
44165		11	
44183			
44188			
<b>Philadelphia (034):</b>			
44115			2
44149			18
44179			17
44181			23
<b>Pittsburgh:</b>			
44137			1
44174		4	17
44205			5
44206			
<b>Richmond (051):</b>			
44110			2
44201			21
44216		5	
44234			1
<b>Charleston (045):</b>			
44035		9	
44039			1
<b>Region IV:</b>			
<b>Birmingham (062):</b>			
44085		1	
44086			1
Miami (066): 44092	9		
<b>Atlanta (061):</b>			
44292			1
44294			1
Louisville (083): 44150			18
Greensboro (053): 44174			9
Columbia (054): 44164			1
<b>Region V:</b>			
Chicago (071): 44134			8
Indianapolis (073): 44455		2	
<b>Detroit (044):</b>			
44391		3	
44413		7	
44414	4		
<b>Cincinnati (046):</b>			
44165		6	
44166		3	
44170	7		
44175		2	
<b>Cleveland (042):</b>			
44097		3	
44139			2
44177			1
44272		3	
44274			4
<b>Columbus (043):</b>			
44101		4	
44108		2	
Milwaukee (075): 44139		1	
<b>Region VII:</b>			
<b>Kansas City (084):</b>			
44092			1
44137		1	
44140			1
44143			4
44145			
44147	1		
44148		3	
44153		4	
44154		5	
44155			2
44156		4	
44157		2	
44158		1	
44159			1
44160			5
44164			7
			5

## FISCAL YEAR 1975—Continued

Area/insuring office and project No.	Processing time in months		
	Rejection or expiration	Initial endorsement	In process not yet initially endorsed
<b>Region VII—Continued</b>			
Topeka (102):			
44111.....			1
44112.....			1
St. Louis (085):			
44056.....	3		
44064.....		1	
44065.....	1		
44066.....	1		
<b>Region VIII:</b>			
Denver (101):			
44138.....		6	
44145.....		3	
44150.....		7	
44153.....		4	
44154.....			10
44155.....		4	
44156.....		3	
44157.....		1	
Helena (093): 44060.....		1	
Sioux Falls (091): 44034.....		8	
<b>Region IX:</b>			
Phoenix (123): 44144.....		2	
Los Angeles (122):			
44778.....			1
45002.....		8	
45025.....			7
45028.....		14	
45032.....		1	
45036.....		2	
45038.....			1
Sacramento (136):			
44288.....		2	
44289.....		2	
44290.....		2	
44291.....		2	
44292.....		2	
44293.....		3	
44294.....		2	
San Diego (129): 44806.....			11
San Francisco (121):			
44260.....	14		
44324.....			2
44392.....			4
44439.....		5	
44440.....			6
44441.....		3	
44445.....	5		
Santa Ana (143): 44005.....		6	
Honolulu (140): 44036.....			9

**Question 4.** Of the 236 projects which were delayed in processing during fiscal year 1974, how many were carried over for processing during fiscal year 1975? Fiscal year 1976?

*Answer.* As of June 30, 1975: Applications, 62, commitments, 39.

**Question 5.** How many of the applications carried over into fiscal year 1975 have been initially endorsed?

*Answer.* As of April 30, 1975, an initial endorsement has been issued on 29 of the 146 projects carried over into fiscal year 1975.

**Question 6.** Please provide accurate data for the following, by type of housing program (i.e., 236, 221(d)(3), 221(d)(4), 220, etc.) and by area office:

6a. Number of initial endorsements during fiscal year 1974? Number of initial endorsements during fiscal year 1975?

*Answer:*

Area/insuring office	Section									
	207		220		221 MR		232		236	
	Number	Units	Numbe	Units	Number	Units	Number	Units	Number	Units
FISCAL YEAR										
Hartford.....					1	360			2	353
Boston.....									12	1,277
Manchester.....					1	110				
Providence.....					1	21	6	1,000	1	229
Regional I total.....					3	491	6	1,000	15	1,859
Camden.....					1	130			3	358
Newark.....									1	55
Albany.....					1	144			3	291
Buffalo.....							1	89	2	327
New York.....					2	46	4	1,145	14	1,914
San Juan.....					2	304			2	459
Region II total.....					6	624	5	1,234	25	3,404
Wilmington.....					3	279				
Washington.....					2	94			2	504
Baltimore.....					3	478			5	996
Philadelphia.....	3	440			3	706			6	1,217
Pittsburgh.....					1	28			9	1,119
Richmond.....					11	1,353	4	360	18	2,259
Charleston.....							1	101	3	477
Region III total.....	3	440			23	2,938	5	461	43	6,572
Birmingham.....					13	1,076			8	1,124
Jacksonville.....					5	534			9	887
Miami.....					1	76			4	736
Tampa.....					4	404	1	156	3	459
Atlanta.....					3	288			19	2,008
Louisville.....					2	116			2	98
Jackson.....					12	1,185	1	120	6	529
Greensboro.....	1	209			6	618			12	1,374
Columbia.....	1	102			5	334			5	299
Knoxville.....			1	253	3	306			6	681
Memphis.....					2	110			3	284
Nashville.....					6	746	1	60		
Region IV total.....	2	311	1	253	62	5,793	3	336	77	8,479

Chicago.....	1	760			6	779	6	1,300	4	512
Springfield.....							2	173		
Indianapolis.....					6	1,016			9	737
Detroit.....					15	2,903	1	150	8	1,000
Grand Rapids.....					2	174	2	264	6	397
Minneapolis.....	2	282			21	2,446	1	120	24	2,044
Cincinnati.....					4	214			5	625
Cleveland.....					2	154			7	482
Columbus.....			1	120	3	298			3	120
Milwaukee.....					14	605	1	74	17	1,258
Region V total.....	3	1,042	1	120	73	8,589	13	2,081	83	7,175
Little Rock.....									2	146
New Orleans.....	1	443			1	136	2	220	4	678
Shreveport.....					2	128			1	60
Albuquerque.....					3	254			2	180
Oklahoma City.....									1	36
Tulsa.....					3	425	1	100	1	60
Dallas.....					3	392				
Fort Worth.....									2	200
Houston.....					1	82			2	349
Lubbock.....					1	64			3	226
San Antonio.....					3	212			4	294
Region VI total.....	1	443			17	1,693	3	320	22	2,229
Kansas City.....					3	519	2	180	6	761
Topeka.....					3	446	4	332	4	266
St. Louis.....					3	250				
Omaha.....	1	312			1	50				
Region VII total.....	1	312			10	1,265	6	512	10	1,027
Denver.....					9	965	1	120	7	936
Helena.....					3	68	1	165	5	462
Fargo.....									2	172
Sioux Falls.....	1	128			4	144			1	50
Salt Lake City.....					2	44			9	394
Casper.....	1	40								
Region VIII total.....	2	168			18	1,221	2	285	24	2,014
Phoenix.....					3	492			3	232
Los Angeles.....			1	332	2	190			7	802
Sacramento.....	1	67			14	1,087			17	1,165
San Diego.....					1	46			4	457
San Francisco.....	2	185	2	220	14	1,273	1	144	33	3,674
Santa Ana.....									3	274
Honolulu.....					1	104				
Region IX total.....	3	252	3	552	37	3,435	1	144	67	6,604

Area/insuring office	Section									
	207		220		221 MR		232		236	
	Number	Units	Number	Units	Number	Units	Number	Units	Number	Units
FISCAL YEAR—Continued										
Boise.....									4	142
Portland.....					5	156			6	271
Seattle.....					1	48	2	325		
Spokane.....									2	312
Region X total.....					6	204	2	325	12	725
U.S. total.....	15	2,968	5	925	255	26,253	46	6,698	378	40,088
FISCAL YEAR 1975 (THROUGH APRIL 1975)										
Hartford.....					2	350			5	564
Bangor.....					1	96	1	200	1	120
Boston.....									2	301
Providence.....			1	88	1	35	1	100	2	183
Region I total.....				88	4	481	2	300	10	1,168
Camden.....									1	144
Newark.....							1	340	5	598
Albany.....							1	100	1	181
Buffalo.....									2	260
New York.....							3	703	3	508
Region II total.....							5	1,143	12	1,691
Wilmington.....									1	165
Washington.....					1	196	1	100		
Baltimore.....					4	603			2	369
Philadelphia.....									6	1,242
Pittsburgh.....									6	857
Richmond.....	1	121			2	280	2	240	3	444
Region III total.....	1	121			7	1,079	3	340	18	3,077
Birmingham.....					8	765	1	100	1	72
Jacksonville.....					6	492			3	193
Miami.....	1	308			1	88			1	117
Tampa.....					1	441			4	588
Atlanta.....					2	340			1	194
Louisville.....							5			

Jackson				4	468		476	4	360
Greensboro				5	545			3	299
Columbia				2	204			3	232
Memphis				2	186			1	148
Nashville				4	346	1	240		
Region IV total	1	308		35	3,875	7	916	21	2,203
Chicago			1	183	3	426	4	909	3
Springfield							1	155	
Indianapolis	1	190			3	605			2
Detroit	1	256			5	899			4
Grand Rapids					2	242			
Minneapolis	1	181			7	976	3	207	1
Cincinnati					2	67			3
Cleveland					5	569			2
Columbus					2	102	1	83	3
Milwaukee					3	346	1	60	13
Region V total	3	627	1	183	32	4,232	10	1,414	31
Albuquerque					3	308			
Dallas					1	50			
Houston					1	100			
San Antonio							1	131	
Region VI total					5	458	1	131	
Des Moines									
Kansas City			1	156	4	455			7
Topeka									
St. Louis					1	239			
Omaha					3	672			4
Region VII total			1	156	8	1,366	1	80	11
Denver									
Helena					1	60			6
Sioux Falls			1	20	1	40	1	200	1
Salt Lake City					2	96			3
Region VIII total			1	20	1	32			1
Los Angeles					5	228	1	200	11
Sacramento	1	300			3	418			8
San Diego					5	169	1	53	6
San Francisco					1	112			
Santa Ana			1	36	2	258			6
Honolulu									1
Region IX total	1	300	1	36	11	957	1	53	22
									2,351

Area/insuring office	Section									
	207		220		221 MR		232		236	
	Number	Units	Number	Units	Number	Units	Number	Units	Number	Units
FISCAL YEAR 1975 (THROUGH APRIL 1975)—Continued										
Boise.....					1	35				
Seattle.....					1	50	2	143	1	68
Region X total.....					2	85	2	143	1	68
U.S. total.....	6	1,356	5	483	109	12,761	33	4,759	137	15,831

6b. For each project initially endorsed during either fiscal year 1974 or fiscal year 1975, please provide data on the type of project (garden apartments, high rise, townhouse, etc.), number of units, and location (inner city, suburbs).

Answer. This data is not available by project in the Central Office and could be obtained only by a field survey. However, the data regarding type of project and number of units is available on a program basis as follows:

	Fiscal year—	
	1975	1974
<b>Section 207:</b>		
Total units .....	288	658
Elevator .....		410
Row or garden .....		208
Detached .....		
Semidetached .....	288	40
<b>SECTION 221 M.R.</b>		
Total units .....	<sup>1</sup> 6,467	14,519
Elevator .....	1,396	1,528
Row or garden .....	531	2,521
Detached .....	467	1,713
Semidetached .....	4,073	8,757
<b>SECTION 232</b>		
Total beds .....	<sup>1</sup> 2,439	3,678
Elevator .....	1,299	2,706
Row or garden .....		
Detached .....	1,140	972
Semidetached .....		
<b>SECTION 234</b>		
Total units .....	<sup>1</sup> 214	404
Elevators .....	22	
Row or Garden .....		240
Detached .....		164
Semidetached .....	192	
<b>SECTION 236</b>		
Total units .....	<sup>1</sup> 9,936	25,195
Elevator .....	3,795	8,477
Row or Garden .....	1,102	4,873
Detached .....	203	1,396
Semidetached .....	4,836	10,449

<sup>1</sup> Through December 1974.

<sup>2</sup> Through February 1975.

<sup>3</sup> Through March 1975.

Question 7. Please give the number of final endorsements by type of program and by area office during fiscal year 1974? Fiscal year 1975?

Answer:

Area/insuring office	Section											
	207		220		221-MR		221-BMR		232		236	
	Number	Units	Number	Units	Number	Units	Number	Units	Number	Beds	Number	Units
FISCAL YEAR 1974												
Hartford.....	1	108	1	105	1	210			3	279	28	2,996
Bangor.....					1	32					4	568
Boston.....					1	219	1	214			21	3,350
Manchester.....											3	182
Providence.....			1	132	3	199			1	120	11	1,199
Burlington.....					1	80			2	140	1	72
Region I total.....	1	108	2	237	7	740	1	214	6	539	68	8,367
Camden.....					4	455					5	596
Newark.....	2	634	1	103			1	109	8	1,453	7	424
Albany.....					3	662			1	92	6	913
Buffalo.....							3	250			1	192
New York.....			2	10	7	1,190	9	1,418	5	1,080	22	3,276
San Juan.....							4	544			9	2,415
Region II total.....	2	634	3	113	14	2,307	17	2,321	14	2,625	50	7,816
Wilmington.....					2	179					1	44
Washington.....	1	225			5	1,371	2	504	2	413	14	1,626
Baltimore.....					7	1,115					10	2,544
Philadelphia.....	2	420	1	121	3	590			1	190	14	1,696
Pittsburgh.....					4	231			1	151	29	3,376
Richmond.....			3	377	19	1,960			1	60	16	1,455
Charleston.....					2	191			2	201	1	429
Region III total.....	3	645	4	498	42	5,637	2	504	7	1,015	85	11,170
Birmingham.....					11	995					14	1,308
Jacksonville.....					6	606					12	1,438
Miami.....					5	714					7	1,271
Tampa.....					4	404	1	55	1	156	3	460
Atlanta.....					11	1,692			2	120	27	2,820
Louisville.....	1	128			11	768			3	366	12	1,537
Jackson.....					15	1,228			1	120	13	1,275
Greensboro.....	3	388			10	922			2	160	23	2,159
Columbia.....	4	416			22	2,077					11	1,249
Knoxville.....					2	236			1	180	5	536
Memphis.....	1	40			2	110					6	962
Nashville.....					13	1,516					4	322
Region IV total.....	9	972			112	11,268	1	55	10	1,102	137	15,337

Chicago.....	10	3,037	5	1,693	28,	5,061	3	185	6	792	13	1,906
Springfield.....									3	350	7	586
Indianapolis.....	3	267	1	140	10	1,067			1	54	29	2,922
Detroit.....	7	1,523			48	7,747	2	144	2	320	25	4,342
Grand Rapids.....					3	287					11	788
Minneapolis.....	5	420	1	206	31	3,538			1	120	16	1,529
Cincinnati.....	42				42	2,858			1	100	28	2,648
Cleveland.....	1	72			7	747					21	2,806
Columbus.....	1	76			20	2,713					28	2,873
Milwaukee.....					9	534			1	74	28	2,351
Region V total.....	27	5,395	7	2,039	198	24,552	5	329	15	1,810	206	22,751
Little Rock.....	1	140			15	1,296					12	906
New Orleans.....	2	662			14	2,339					9	1,246
Shreveport.....					3	266					10	806
Albuquerque.....	1	129			7	902					5	640
Oklahoma City.....	2	347			14	1,114					17	1,078
Tulsa.....					7	846			1	100	7	696
Dallas.....					10	1,708			1	120	7	996
Fort Worth.....					3	440					4	526
Houston.....	1	47			11	1,124					7	1,313
Lubbock.....					3	379					7	574
San Antonio.....					9	984					14	1,093
Region VI total.....	7	1,325			96	11,398			2	220	99	9,874
Des Moines.....					2	140					8	611
Kansas City.....	2	390			8	1,309			2	503	9	1,308
Topeka.....					2	366			1	119	10	526
St. Louis.....					10	1,603			1	60	3	311
Omaha.....	1	312			5	251					4	337
Region VII total.....	3	702			27	3,669			4	682	34	3,093
Denver.....	1	256			18	2,207			2	196	12	1,394
Helena.....					4	177					6	451
Fargo.....					4	135					4	294
Sioux Falls.....	2	164			12	291					6	261
Salt Lake City.....					2	44					9	394
Casper.....					3	148					2	64
Region VIII total.....	3	420			43	3,002			2	196	39	2,858
Phoenix.....					15	1,760					17	1,511
Los Angeles.....			1	332	10	857			1	150	83	6,02
Sacramento.....	1	67			19	874					21	1,543
San Diego.....					1	170					10	1,170
San Francisco.....	7	800			32	2,869			3	211	27	2,806
Honolulu.....					5	370					1	121
Reno.....					5	574					7	931
Region IX total.....	8	867	1	332	87	7,474			4	361	166	14,984

Area/insuring office	Section											
	207		220		221-MR		221-BMR		232		236	
	Number	Units	Number	Units	Number	Units	Number	Units	Number	Beds	Number	Units
FISCAL YEAR 1974—Continued												
Anchorage.....			1	30							6	421
Boise.....											5	174
Portland.....					10	308					20	985
Seattle.....					17	886					3	204
Spokane.....	1	99			9	256					7	247
Region X total.....	1	99	1	30	36	1,450					41	2,031
U.S. total.....	64	11,167	18	3,249	662	71,497	26	3,423	64	8,550	925	98,281
FISCAL YEAR 1975												
Hartford.....					3	653			1	120	11	2,032
Bangor.....											5	551
Boston.....					2	167	1	227	3	343	21	3,599
Manchester.....					1	110	1	135	1	100	6	661
Providence.....			1	76	2	70					7	1,113
Burlington.....											1	120
Region I total.....			1	76	8	1,000	2	362	5	563	51	8,076
Camden.....									1	144	1	144
Newark.....					1	22	1	77	4	647	6	412
Albany.....					2	436			3	532	4	569
Buffalo.....											4	594
New York.....	1	133									17	2,358
San Juan.....					2	386	4	353	8	1,819	2	401
Region II total.....	1	133			5	844	5	430	16	3,142	34	4,478
Wilmington.....					1	112					1	165
Washington.....					2	264			1	444	13	2,318
Baltimore.....					9	1,557	1	180	1	240	6	1,058
Philadelphia.....	1	288			3	290					14	2,565
Pittsburgh.....					1	120	1	81			18	2,078
Richmond.....	1	121			5	644			4	480	10	1,170
Charleston.....					1	200					3	242
Region III total.....	2	409			22	3,187	2	261	6	1,164	65	9,596
Birmingham.....					13	1,392					15	1,402
Jacksonville.....					9	784					7	718

Miami.....	1	308			2	276		1	224	6	1,302	
Tampa.....					5	860				5	993	
Atlanta.....					9	1,863				23	2,223	
Louisville.....					5	402		1	60	13	1,209	
Jackson.....	1	111			11	1,105				7	616	
Greensboro.....					15	1,984				19	1,618	
Columbia.....	2	312			8	526				10	960	
Knoxville.....					7	1,138				3	542	
Memphis.....	1	102			4	386				5	652	
Nashville.....	1	168			6	573				8	1,330	
Region IV total.....	6	1,001			94	11,289		2	284	121	13,565	
Chicago.....	3	1,470	1	528	13	2,761	1	57	3	798	15	2,695
Springfield.....					9	1,345			3	215	1	152
Indianapolis.....	1	190			27	5,065			2	610	19	2,261
Detroit.....	3	311	2	259	4	557			2	164	21	2,852
Grand Rapids.....					16	1,625					9	867
Minneapolis.....	1	181	1	222	18	1,527					25	2,966
Cincinnati.....					14	2,476					10	775
Cleveland.....					9	959					28	4,261
Columbus.....	1	208			9	364			1	60	10	800
Milwaukee.....											17	1,442
Region V total.....	9	2,360	4	1,009	119	16,679	1	57	11	1,847	155	19,071
Little Rock.....					6	548					8	682
New Orleans.....	1	461			7	1,040		1	232	5	1,126	
Shreveport.....					3	219				5	488	
Albuquerque.....					5	418				7	503	
Oklahoma City.....	2				1	508				4	179	
Tulsa.....					2	172				10	982	
Dallas.....					1	204				3	230	
Fort Worth.....					2	196				3	252	
Houston.....					2	682				3	605	
Lubbock.....					2	165				1	100	
San Antonio.....					6	408			1	131	10	840
Region VI total.....	1	461			42	4,561			2	363	59	5,987
Des Moines.....					2	116					9	724
Kansas City.....					11	1,249					1	60
Topeka.....	1				1	239			3	250	5	575
St. Louis.....					6	1,138					1	219
Omaha.....					1	30			1	80		
Region VII total.....					21	2,772			4	330	16	1,578

Area/insuring office	Section											
	207		220		221-MR		221-BMR		232		236	
	Number	Unit	Number	Unit	Number	Unit	Number	Units	Number	Beds	Number	Units
FISCAL YEAR 1975—Continued												
Denver.....					7	1,050					13	1,728
Helena.....					3	288					7	574
Fargo.....			1	122					1	165		
Sioux Falls.....					6	147					4	188
Salt Lake City.....					1	32					1	40
Casper.....											1	84
Region VIII total.....			1	122	17	1,517			1	165	26	2,614
Phoenix.....												
Los Angeles.....	1	300			5	540					3	322
Sacramento.....					13	832					66	5,608
San Diego.....					1	112					20	1,324
San Francisco.....	3	399	3	136	33	2,818					25	2,834
Santa Ana.....					1	96			2	212	3	271
Honolulu.....					2	565					1	74
Reno.....											2	278
Region IX total.....	4	699	3	136	55	4,963			2	212	120	10,711
Anchorage.....					1	98						
Boise.....					1	35					1	96
Portland.....					3	98					1	32
Seattle.....					4	227					22	998
Spokane.....					4	198			1	250	1	68
Region X total.....					13	656					2	310
U.S. total.....	23	5,063	9	1,343	396	47,468	10	1,110	50	8,320	674	77,180

*Question 8.* For each project that was finally endorsed during fiscal year 1975, please provide the following data:

Number of units in the project construction time and whether this was over, under, or equal to the time estimated in the firm commitment.

*Answer.* Information regarding construction time and the relation of construction time to the time estimated in the firm commitment is not readily available and could be obtained only by means of a field survey. However, the enclosed Selected Multifamily Status Reports—Mortgage Insurance Programs lists processing and construction status by name of each project, cumulative as of December 31, 1974.

These status reports are done on a quarterly basis. The report for the quarter ending March 31, 1975, should be available in the very near future.

Number of projects in which the cost certification indicated that the contractor/builder-sponsor, lost money (i.e., number of cases where the total approved contract price including approved change orders was less than the certified construction cost).

*Answer.* This information is not available in the Central Office and could be obtained only by means of a field survey.

*Question 9.* How many loans to low income purchasers were made under the 235 program during fiscal year 1974? Fiscal year 1975? How many units were involved? What was the dollar volume of these loans?

*Answer:*

SECTION 235—INSURANCE WRITTEN

	Number of cases	Amount	Number of units
Fiscal year 1974:			
Proposed.....	16,653	\$334,108,450	16,655
Existing.....	9,662	165,089,422	9,683
Total.....	26,315	499,197,872	26,338
Fiscal year 1975:			
Proposed.....	2,049	42,502,700	2,051
Existing.....	7,558	132,271,672	7,563
Total.....	9,607	174,774,372	9,614

*Question 10.* How many loans were made under the 203 program during fiscal year 1974? Fiscal year 1975? How many units were involved? What was the dollar volume of these loans?

*Answer:*

SECTION 203—INSURANCE WRITTEN

	Number of cases	Amount	Number of units
Fiscal year 1974:			
Proposed.....	20,809	\$492,189,998	21,037
Existing.....	101,310	1,894,211,908	109,710
Total.....	122,119	2,386,401,906	130,747
Fiscal year 1975:			
Proposed.....	30,884	866,054,940	31,081
Existing.....	153,941	3,466,110,441	164,024
Total.....	184,825	4,332,165,381	195,105

*Question 11.* When will the regulations be published which will implement the 202 elderly housing assistance program?

*Answer.* Final regulations implementing the section 202 program were published on August 20, 1975.

*Question 12.* How many units of elderly housing will be constructed under the 202 program by the end of fiscal year 1976?

*Answer.* None. We anticipate a construction period of between 18 and 24 months. However, we have made available, pursuant to the continuing resolution, \$107.5 million of section 202 funds in fiscal year 1976 which will provide for approximately 4,000 units to be placed under construction.

*Question 13.* What is the total amount of funds that will be made available for this program during fiscal year 1976?

*Answer.* Approximately \$229 million has been carried over from fiscal year 1975, which includes \$100 million in Treasury borrowing authorization. However, the continuing resolution limits the total amount of loans that can be made to \$107.5 million.

*Question 14.* How many projects utilizing section 8 assistance are now under construction? Please provide this information by area office.

*Answer.* Ground breaking was started on August 29 in Sherwood, Wis., on a section 8 project for the elderly that will contain 216 100 percent subsidized units. We anticipate construction of several other section 8 projects will commence shortly.

*Question 15.* How many section 8 contracts have been approved?

*Answer.* As of June 30, 1975, the latest date for which we have complete information, contract authority had been reserved for approximately 92,000 units.

*Question 16.* Of the approved contracts under section 8, how many are for existing housing? rehabilitated housing? and new housing?

*Answer.* As of June 30, 1975, contract authority had been reserved for about 55,300 units under existing housing; approximately 4,400 units under rehabilitated housing; and about 32,300 units under new construction.

*Question 17.* If your reliance in producing housing is to reside exclusively in section 8, which doesn't require that the Federal Government make mortgage funds available, where will mortgage funds come from?

*Answer.* A major share of the funding is expected to come through state housing finance agencies. Of the more than 90,000 units reserved by June 30, 1975, about 40,000 were committed to state agencies for new construction or rehabilitation. In addition, the section 202 program, as revised by the "Housing and Community Development Act of 1974," will be available to provide construction financing for projects for the elderly in conjunction with section 8. The Department of Housing and Urban Development has also been working with the Farmers Home Administration to insure that their loans are available to finance section 8 developments in rural areas. It is expected that private lenders will make extensive use of FHA insurance under the section 221(d)(3) and section 221(d)(4) programs to finance section 8 projects.

*Question 18.* What incentives will private mortgage companies have to participate in such loans?

*Answer.* Private mortgage companies will have the same incentives and will perform the same functions under section 8 as in any other private mortgage transaction where they might be called on to act as an intermediary. As in other private mortgage transactions, but particularly when FHA insurance is involved, mortgage companies will arrange financing (construction as well as long-term), and originate and service loans under the section 8 program. Only in those instances where state housing finance agencies provide the necessary funding for the section 8 project is the mortgage companies role expected to be limited.

*Question 19.* If section 8 assistance is subject to the fair market rent test, please describe the procedures to be used by your department to monitor the rent comparability test to assure that housing which the market shows can be rented at subsidized rents will be produced.

*Answer.* The amount of housing that could be rented at subsidized rents is very large since the subsidized rent is a function of the tenant's income and no minimum rental other than that based on the tenant's income is required. Therefore subsidized rents will not be relied on to govern the level of new construction.

To assure that new rental housing can be produced in market areas where new construction is clearly needed, Section 8 Handbook instructions (Paragraph 3-7 of Handbook 7420.1) provide that, "If the number of approvable proposals is less than 50% of the number of units in the Invitation and the Developer's packet, this may be an indication that Fair Market Rents for the area are too low, that the test of reasonableness (comparability) or rents may have been administered by the Field Office in too restrictive a manner, and/or that unusual circumstances prevail. In such cases, the Field Office Director may submit a request to the ARA for HPMC to have the Regional Valuation Advisor conduct a review . . . If the findings indicate that the Field Office improperly estimated the reasonable rents for proposals, the Valuation Branch shall make new determinations in order to correct any deficiencies or inaccuracies with respect to proposals which may still be selected . . . If the Regional Office review and subsequent actions fail to satisfactorily resolve the problem, the Field Office Director shall recommend that

the ARA for HPMC request a Central Office review. Central Office may conduct the review by utilizing: (a) Members of the Multifamily Valuation Branch, or (b) A professional fee appraiser knowledgeable with respect to the multifamily rental market in the relevant geographic area(s) . . . As soon as appropriate, the Field Office shall publish another invitation for Preliminary Proposals."

*Question 20.* What rationale underlies the market rent test?

*Answer.* The Secretary establishes Fair Market Rents by publication in the Federal Register pursuant to Section 8(c)(1) of the U.S. Housing Act of 1937 (42 U.S.C. 1437, *et seq.*). Two sets of Fair Market Rents are established, one for New Construction (also applicable to Substantial Rehabilitation) and one for Existing Housing. The Fair Market Rents for Existing Housing are generally lower than those for New Construction.

Under the applicable regulations (24 CFR, Parts 880, 881, 882 and 883) Contract Rents to owners may not exceed Fair Market Rents (with some exceptions) and, in addition, must be determined to be reasonable in relation to the quality, location, amenities, and management and maintenance services of the project.

A reasonableness test based on market comparison has been used in most of the FHA-insured rental housing programs. The test is required for insured rental housing to limit mortgages to amounts on which owners can reasonably be expected to meet the debt service requirements.

For units assisted under the Section 8 program, we understand the rationale for the Fair Market Rent requirement and the reasonableness test to be: (1) to assure the prudent expenditure of Federal funds by limiting the rents of assisted units to amounts which are comparable to rents of unassisted units, and (2) to avoid having an inflationary impact.

*Question 21.* Where did this test originate?

*Answer.* In the FHA-insured rental housing programs, the insurance of market rate, non-subsidized projects has always been based on estimates of attainable rents as determined by market comparison. This is required as a basis for the limitation of insured mortgages to amounts on which owner/mortgagors can reasonably be expected to meet the debt service requirements. This has long been common practice throughout the private mortgage lending industry. A prospective borrower might, for example, state that he plans to charge \$300 for 1 bedroom units and \$350 for 2 bedroom units in a proposed project and on this basis requests a \$1,000,000 mortgage. The lender would obtain an appraisal for the purpose of determining the amount of loan he could make without taking an unreasonable risk. If the appraiser estimated obtainable rents of \$250 and \$300 for the 1 and 2 bedroom units respectively a commensurate reduction would be made in the amount of mortgage loan approved.

A market rent test was made a requirement for Section 236 projects in April 1972 after much public and congressional criticism of the prior administration of the program without this requirement.

For the Section 8 Housing Assistance Payments Program, the origin of the Fair Market Rent requirement and the reasonableness test is in the regulations for the Section 23 Housing Assistance Payments Program (24 CFR, Parts 800, 801, and 802, formerly Parts 1272, 1276, and 1274, respectively). As mentioned earlier, these concepts are now included in the regulations for the Section 8 program.

*Question 22.* What is its economic justification?

*Answer.* When applied to unsubsidized FHA insured rental projects, its economic justification is the necessity to assure real economic feasibility based on attainable rents as opposed to unreal or paper feasibility based on unrealistic estimates of attainable rents. This is necessary to minimize the possibility of foreclosure.

When applied to subsidized rental projects, its economic justification is the desire: (1) to see that every dollar of subsidy is used to reduce the rent payable by the assisted tenant rather than to support unwarranted rents paid to the owner; (2) to assure the prudent expenditure of Federal funds; and (3) to avoid having an inflationary impact.

*Question 23.* Since economists are generally agreed that rents in existing apartments rise more slowly in an inflationary economy than do the costs of labor, materials, and money for new construction, what justification have you for inhibiting necessary construction by use of the fair market rent test?

*Answer.* In the Section 8 program, the Fair Market Rents for New Construction (including Substantial Rehabilitation) are generally higher than those for Existing Housing. These rents are based on rents paid for comparable newly constructed units in the particular market area, and are trended two years ahead to reflect rents anticipated to be current at project completion. The Fair Market

Rents are updated at least annually; however, the processing handbook provides for revising the rents at any time. Fair Market Rents may be exceeded by up to 10% or 20% where the field office director or the Assistant Secretary for Housing Production and Mortgage Credit, respectively, determines higher rents are warranted. We anticipate that the Fair Market Rents will permit economically feasible construction and rehabilitation.

The reasonableness test prescribed for Section 8 New Construction or Substantial Rehabilitation projects is more liberal than the test applicable to unsubsidized mortgage insurance projects, Section 236 projects or Section 23 Housing Assistance Payments Program projects. The overall effect of the liberalized reasonableness test applicable to Section 8 projects is to permit the approval of Section 8 Contract Rents which exceed normal comparability; as determined for unsubsidized mortgage insurance projects with no consideration of Section 8 assistance, by as much as 10% for family dwelling units and by as much as 15% for dwelling units designed for occupancy by the elderly or handicapped.

Consequently we do not believe that the Fair Market Rent requirement or the reasonableness test will seriously impede new construction in market areas where new rental units are needed.

*Question. 24.* Is rehabilitated construction also subject to the fair market rent test?

*Answer.* Yes. The Fair Market Rents applicable to New Construction are also applicable to Substantial Rehabilitation.

*Question. 25.* How many projects assisted under the multifamily provisions of the National Housing Act were assigned back to HUD during fiscal year 1974? Fiscal year 1975?

*Answer.* See attachment.

*Question. 26.* For each project assigned, give the following data: Area office, HUD assistance program, number of units in the project.

*Answer.* See attachment submitted in answer to question 26.

The attachment submitted in answer to questions 25 and 26 follows:

PROJECTS ASSIGNED TO HUD.—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS

	Section—										
	221(d)(3)			236	213	221(d)(4)	207	221(h)	232	608	235(j)
	220	BMR	Market rate								
JULY 1, 1973 TO JUNE 30, 1974 <sup>1</sup>											
Washington, D.C.:											
000-44180-1-DP-SUP—Linda Arms Apartments											65
000-44089-LDP-SUP—Beach Park Gardens											250
New York, N.Y.:											
012-55093-EC-NP—St. Nicholas Housing											40
012-55073-NP—Dudley Park											263
012-32068—43 West 87 th St.	7										
012-55119—Colony Apartments	92										
012-44106-EC-SUP-LD—Ajax Ore Co.											30
012-55066-NP—Mulberry Square Apartments											380
012-55065—Grampion Apartments											36
012-55124-NP—Park Slope North Improvements											26
011-55135-NP-SUP—UPACA sec. II											71
012-55059-LDC—Convent Ave.											21
012-32114-R-EC—Park Central Gardens	46										
012-55111-NP-SUP—Mott Haven Redevelopment Co. No. 1											134
012-55202-NP-SUP—Mott Haven Redevelopment Co. No. 2											60
012-55232-NP-SUP—Mott Haven Redevelopment Co. No. 3											29
012-44050-EC-SUP—New Carlton Apartments											94
Hartford, Conn.											
017-55126-NP-R—Winthrop Sq.											111
017-32006—Dixwell Plaza Apartments	24										
017-55078-LD—Cameo Gardens											144
017-35018-NP-SUP—Sheldon Oak Apartments											91
017-55065-EC—Better Housing Apartments											42
017-55084-NP-EC—Horace Bushnell Apartments											84
017-44108-NP—Upper Main St. A											70
017-55062-N—Church St. South											300
017-35016-NP-SUP-R—Van Block Housing Corp.											112
Boston, Mass.											
023-55131-DC-EC—Mattapan Apartments											209
023-44064-NP-EC-SUP—African Orth Co. Homes											82
023-55176-EC-LD—Burton Association											112
023-55170-EC-NP-SUP—Emmanuel Apartments											120
023-55062-EC-NP—Brookledge Housing 1											202
023-55070-EC-NP—Brookledge Housing 2											250
023-44034-EC-LD—Wills Apartments											31

See footnote at end of table.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—										
	221(d)(3)			236	213	221(d)(4)	207	221(h)	232	608	235(j)
	220	BMIR	Market rate								
JULY 1, 1973 TO JUNE 30, 1974 <sup>1</sup> —Continued											
Boston, Mass.—Continued											
023-36801—Boston Infield			208								
023-55119—EC—LD—Parkdale Apartments		45									
023-55119—EC—LD—Parkdale Apartments		45									
023-55109—EC—LD—Columbia Courts		58									
023-55142—EC—LD—Walnut Apartments		41									
023-55138—EC—LD—Lexington Apartments		61									
023-55051—EC—LD—Windsor Arms		28									
023-55123—EC—LD—Park Gardens		37									
023-55060—EC—LD—Wiltshire Arms		29									
023-55047—EC—LD—Wentworth Arms		43									
023-55077—EC—LDI—Parkland Apartments		19									
023-55121—EC—LDI—Concord Apartments		61									
023-55122—EC—LDI—Morton Apartments		24									
023-55139—EC—LDI—Westminster Chambers		54									
023-55148—EC—LDI—Ruthven Apartments		12									
023-44123—NP—Brightmoor Terrace											
023-44075—LDP—Batties Farm			180								
023-55052—EC—LD—Parkview Arms		18	319								
023-55073—EC—LD—62 Chency St.		14									
Newark, N. J.											
031-72001—Urban Housing and Development Corp.											7
031-72003—Urban Housing and Development Corp.											8
031-55048—Newark Community Housing		425									
031-00262—Executive House							245				
Pittsburgh, Pa.:											
033-44040—Palisades Manor											48
033-44084—NP—SUP—Centnor Housing											69
033-44046—NP—SUP—Norcen Housing											97
033-44031—NP—SUP—Kirkbride Housing											92
Philadelphia, Pa.:											
034-35066—Fountain View Apartments						232					
034-35025—PM—South View Heights						100					
034-43014—Sarah Allen Home									183		
Camden, N. J.:											
035-44039—NP—Harmony House											70
035-44020—LD—East State Street Village											200
035-44025—Harbor City Townhouse											73

<sup>1</sup> Total number assignments, 328; units, 35,296.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—											
	221(d)(3)			236	213	221(d)(4)	207	221(d)(4)	232	608	235(j)	207m
	220	BMIR	MR									
JULY 1, 1973 TO JUNE 30, 1974 <sup>1</sup>												
Cleveland Ohio:												
042-35017-NP-SUP-EC—Hopewood Corp.			60									123
042-00109-M—Bluffton Mobile Home Park												
042-32010—University Towers	168											
042-44064-NP-SUP—Project Inspiration				200								
Columbus, Ohio:												
043-35033-PM—Newark North Apartments						129						
043-35013-NP-SUP—Sunset Hills	128											
043-44041-NP-SUP—Tuskegee Somerset Development				157								
Detroit, Mich.:												
044-55083-NP—Pontiac Oval Cooperative		350										
044-44042-NP/d-EC—Apple Tree Cooperative		53										
044-23188—Ewald Circle Cooperative						19						
044-23272-EC—Greenfield Cooperative						88						
044-35095—Huron View Apartments							168					
044-44308-LD-EC—3250 West Chicago Apartments				47								
044-44312-LD-EC—3200 West Chicago Apartments				42								
044-00134-EC-R—10 West Adams, Inc.								65				
044-55013-MAN—Oakdale Residential Cooperative		82										
044-55026-MAN—Oakdale Residential Cooperative		101										
044-55093-MAN—Oakdale Residential Cooperative		56										
044-55145-NP-EC—West Philadelphia Nonprofit Housing		49										
044-55172-LD—Alpha Phi Nonprofit Housing		134										
044-44291-EC-SUP—Marvel Nonprofit Housing B					61							
044-44292-EC-SUP—Marvel Nonprofit Housing C					64							
044-35142—High Point Apartments							201					
044-55148-NP—Canterbury West		24										
044-55131-MAN-EC—Barton House		63										
044-44045-MAN-SUP—Cordova Courts, 1					40							
044-44046-MAN-SUP—Cordova Courts, 2					48							
044-44047-MAN-SUP—Cordova Courts, 3					86							
044-44011-MAN—Woodside Square Cooperative					85							
044-35084—Broadview Apartments								84				
044-55169-LD-EC—Hamilton Park Apartments		24										
044-00124—Wyandotte River Towers								73				
044-44287-EC-LD-SUP—Lafayette Development Group				166								
044-55175-NP-EC—United Tenants Rehabilitation Nonprofit Housing No. 5		22										
044-44286-LD-EC-SUP—East Side Hd. Division Housing Association					109							
044-35055-PM—Bloomfield Square								112				
044-44288-EC-LD—Collingwood Apartments				138								

55

<sup>1</sup> Total number assignments, 328; units, 35,296.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—										
	221(d)(3)			236	213	221(d)(4)	207	221(H)	232	608	232(J)
	220	BMIR	MR								
JULY 1, 1973 TO JUNE 30, 1974 <sup>1</sup>											
Charleston, W. Va.: 045-44005-NP-SUP—Bridgeport Gardens.....				208							
Cincinnati, Ohio:											
046-35142-NP-LC-SUP—Community Apartments.....			33								
046-44078-EC-SUP—New Light Apartments.....				94							
046-35330-NP-SUP—Maggie McKnight Apartments.....			40								
046-35237—Grand View Apartments.....							144				
046-44075-NP-EC-SUP—Gables Apartments.....				40							
046-44129-LD-EC-SUP—Aquarius Apartments.....				34							
046-44128-LD-EC-SUP—K. & L. Apartments.....				11							
046-44138-LD-EC-SUP—San Mabcos.....				34							
046-35248-PM—King Arthur Apartments.....							192				
046-35303-LD-EC-SUP—United Service No. 7.....			52								
046-42015—Stratford Manor.....										370	
046-35015-NP-SUP—Bibleway Apartments.....											
046-35379-NP-EC-SUP—St. Marks AME Housing No. 2.....			44								
046-44018-LDP—Western Manor Apartments.....			37								
Detroit, Mich.:				102							
048-44004-NP-MAN—Cranbrook Cooperative No. 1.....				48							
048-44005-NP-MAN—Cranbrook Village Cooperative No. 2.....				53							
048-35025-PM—Grand Blanc Estates.....											
048-55025-INV—Regency Park South Cooperative.....			62				94				
048-55030-INV—Regency Green Cooperative.....			56								
Richmond, Va.: 051-44131-NP—Bank Street Garden Apartments.....				79							
Baltimore, Md.:											
052-35079-PM—Perrywood Gardens.....											
05-56007-SHDC—Fulton Corp.....										6	
San Juan, P.R.:											
056-44004-MAN—Cooperativa DeViviendas.....				290							
056-23005-MAN—Villa Cooperativa.....							304				
056-44030-NP—Virgin Island Housing Fund.....				100							
056-35007-NP-SUP—San Jose.....			140								
Shreveport, La.:											
059-44008—New Hope Gardens.....				84							
059-35085-PM—Villa South.....							172				

<sup>1</sup> Total number assignments, 328; units, 35,296.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—											
	220	221(d)(3)		236	213	221(d)(4)	207	221(b)	232	608	235(j)	231
	BMIR	MR										
JULY 1, 1973 TO JUNE 30, 1974 <sup>1</sup>												
Atlanta, Ga.:												
061-35122—Norwood Gardens						68						
061-42108—Bayard Apartments										216		
061-09001—Orchard Knob Co.												
New Orleans, La.:												
064-44151—NP—Villa D'Ames				200								
064-35103—PM—Chateau Des Saints						108						
064-44006—NP—Ponchartrain Union Apts				75								
064-35076—PM—I—12 Garden Apartments						180						
Jackson, Miss.:												
065-56013—NP—Home Builders Rehabilitation Association, Inc.								8				
065-35025—NP—SUP—Leontyne Price	100											
065-35099—PM—Normandy Manor						80						
065-35077—PM—Baywood Apartments Co.						72						
065-44006—Lac Bleu Apartments												
Coral Gables, Fla.:				120								
066-38001—East Ridge Retirement Village												320
066-35117—NP—SUP—Harlem Gardens Apartments			126									
Tampa, Fla.:												
067-43043—Merritt Manor									58			
067-44075—Tangerine Garden Apartments					120							
067-44036—NP—Jackson Heights Estates					110							
Chicago, Ill.:												
071-44017—LDT—SUP—Crestview Village				132								
071-35046—Deere Park Circle						192						
071-55059—LD—Montgomery Garden Apartments		94										
071-35093—PM—River Edge Apartments						72						
071-00177-7447—South Shore Drive								330				
071-35050—PM—Valley Lake						376						
071-32055—Chicago Beach Apartments	509											
071-55051—LD—Valley View Apartments		96										
071-55093—LD—4325 Drexel Blvd.		77										
071-55138—EC—NP—No. 2 Chicago Dwelling		136										
071-55139—EC—NP—No. 2 Chicago Dwelling		24										
071-55106—EC—NP—No. 2 Chicago Dwelling		50										
071-55085—EC—NP—No. 2 Chicago Dwelling		65										

<sup>1</sup> Total number assignments, 328: units, 35,296.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—											
	221(d)(3)			236	213	221(d)(4)	207	221(h)	232	608	235(j)	207-M
	220	BMIR	MR									
JULY 1, 1973 TO JUNE 30, 1974 †												
Chicago, Ill.:												
071-55186-EC-NP—No. 2 Chicago Dwellings			105									
071-55169-EC-NP—No. 2 Chicago Dwellings			18									
071-55092-LD—4925 Dresel Blvd.			59									
071-55099-EC-NP—No. 2 Chicago Dwellings			17									
071-09001—Crandon House							75					
071-55174-LDT—Concord Commons Apartments			216									
071-55097-EC-LDT—Bills Plain Bldg.			28									
071-32059—South Commons, Stage 3	207											
071-55005-NP-EC—Kate Maremont Foundation			91									
071-55006-NP-EC—Kate Maremont Foundation			54									
071-55007-NP-EC—Kate Maremont Foundation			32									
071-55009-NP-EC—Kate Maremont Foundation			55									
071-55010-NP-EC—Kate Maremont Foundation			37									
071-55012-NP-EC—Kate Maremont Foundation			36									
071-55013-NP-EC—Kate Maremont Foundation			18									
071-55015-NP-EC—Kate Maremont Foundation			43									
071-55016-NP-EC—Kate Maremont Foundation			24									
071-55017-NP-EC—Kate Maremont Foundation			36									
071-55022-NP-EC—Kate Maremont Foundation			45									
071-55045-NP-EC—Kate Maremont Foundation			54									
071-44072-NP-EC—Kate Maremont Foundation						65						
Springfield, Ill.:												
072-00027-M—Crab Orchard MHP												128
072-44013-NP-Sup—St. Louis AME Church						12						
072-44007-NP-Sup—Alpha Plaza						32						
072-44005-NP-Sup—Bills Manor Apartments						60						
072-44009-NP-Sup—Alta Sita Plaza						56						
072-44004-NP-Sup—Urban Family Residence						92						
Indianapolis, Ind.:												
073-44018-LDT-2-Sup—Middleburg Village Association						120						
073-72026—HAND No. 2											7	
073-55094-MAN—Pinetree Village Cooperative		84										
073-72007-NP-EC—HELP No. 1											1	
073-55048-MAN—Oxford Square Cooperative		70										
073-44087-MAN—Grandville Cooperative						52						
073-55076-MAN—Oxford Square Cooperative		70										
073-44902-NP—Huron Apartments						6						
073-55093-PM—Pinetree Village Cooperative		84										

† Total number assignments, 328; units, 35,296.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—										
	221(d)(3)		236	213	221(d)(4)	207	221(h)	232	608	235(j)	1002
	220	BMIR									
JULY 1, 1973 TO JUNE 30, 1974 <sup>1</sup>											
Indianapolis, Ind.:											
073-44059—MAN—Grandville Cooperative .....			52								
073-44088—MAN—Grandville Cooperative 3 .....			52								
073-44963—D-SUP—Miller Village .....			246								
073-55113—MAN—Parc Chateau, Section 6 .....		72									
073-55104—MAN—Parc Chateau, Section 4 .....		72									
073-55101—MAN—Parc Chateau, Section 5 .....		72									
073-55994—MAN—Parc Chateau, Section 3 .....		72									
073-55070—MAN—Parc Chateau, Section 2 .....		72									
073-55058—MAN—Parc Chateau, Section 1 .....		72									
073-44153—MAN—Orchard Park No. 1 .....			50								
073-44154—MAN—Orchard Park No. 2 .....			44								
073-44136—NP-SUP—U.S.C.O. Community Homes No. 1 .....			24								
073-40023—Booker T. Washington, Inc. ....								23			
Des Moines, Iowa: 074-35003—NP-SUP—Des Moines Area C.O.C.			150								
Milwaukee, Wis.:											
075-43029—PM—Community Home for the Aged .....								182			
075-35017—EC-NP-SLP—Northside Citizens .....			24								
Littl: Rock, Ark.: 052-35113—LD-SUP—Twin Lakes Apartments .....			88								
Kansas City, Mo.:											
084-32004—River Hills .....	242										
084-35079—NP-SKP—John B. Hughes Apartments .....			54								
084-44031—NP—Friendship Village .....				144							
084-32002—Walnut Towers Apartments .....	180										
034-46011—Lakewood Development Corp. ....											169
084-44041—M.W.—Meadow Ridge Townhouses .....			50								
084-35933—Manor South Apartments .....					54						
084-56002—NP-EC-RC—L-J Development .....							5				
084-56003—NP-RC—L-J Development .....							5				
083-44039—Meadow Ridge Townhouses .....			50								
084-44040—Meadow Ridge Townhouses .....			50								
034-35045—PM—Coat of Arms Apartments .....					95						
084-3549—PM—Broadway Village North .....					97						
084-35078—PM—Westowne Apartments .....					144						

<sup>1</sup> Total number assignments, 328; units, 35,296.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—											
	221(d)(3)			236	213	221(d)(4)	207	221(h)	232	608	225(j)	207m
	220	BMIR	MR									
JULY 1, 1973 TO JUNE 30, 1974 <sup>1</sup>												
St. Louis, Mo.:												
085-32012—Birg Realty.....	24											
085-44032-LDC—Chevy Chase Project 10.....				62								
085-56001-NP—Bicentennial C.I.C.....								3				
085-56002-NP—Bicentennial C.I.C.....								2				
085-56005-NP—Bicentennial C.I.C.....								2				
085-56007-NP—Bicentennial C.I.C.....								2				
085-56009-NP—Bicentennial C.I.C.....								6				
085-56013-NP—Bicentennial C.I.C.....								1				
085-56013-NP—Bicentennial C.I.C.....								3				
Knoxville, Tenn.: 087-00015-M—Trailer City.....												76
Minneapolis, Minn.:												
092-44014-NP-SUP—Grant Park.....				227								
092-44034-NP-SUP-R—Jamestown Homes.....				73								
092-35035-NP-SUP—Highland Homes, Ltd.....			101									
092-44026-NP-SUP—Community Plaza Inc.....				40								
092-44004-NP-SUP—Cecil Newman Courts.....				100								
092-35038-PM—Brooksville Apartments No. 1.....						35						
Billings, Mont.: 093-55004-LD—Nault Terrace.....	52											
Denver, Colo.:												
101-44901-LD—West Hampshire Village.....				80								
101-44001—Widefield Apartments.....				125								
101-35074-PM—Murray Hill Apartments.....						126						
101-35028-NP-SUP—Costilla County Housing.....			32									
Topeka, Kans.:												
102-44064-NP—Delphi Heights.....				44								
102-42037—Sunflower Apartments.....												
102-44016-NP-SUP—South Park Apartments.....				60						134		
102-0039-M—All Seasons MHP.....												
102-55033—Pin Oak Acres.....	152											175
Omaha, Nebr.:												
103-55014—Heritage Square.....				46								
103-55005-NP—Good Neighbor Homes, Inc.....				100								

<sup>1</sup> Total number assignments, 328; units, 35,296.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—												
	803	220	221(d)(3)		236	213	221(d)(4)	207	221(h)	232	608	235(j)	207-m
			BMIR	MR									
JULY 1, 1973 TO JUNE 30, 1974 <sup>1</sup>													
Dallas Tex.:													
112-35135-PM—Pleasant Hill Village							102						
112-00090-M—Los Palos Verdes													325
112-00057-M—Lake Pine City													136
112-55001-LD—Colonial Terrace, Inc. No. 1			160										
112-35024-NP-SUP—Rusk Terrace													109
112-35036-NP-SUP—Liberty Plaza													50
Fort Worth, Tex.:													
113-80008—Walters Village	383												
113-35030-PM—Fielder Square Apartments							280						
Houston, Tex.:													
114-35060-PM—Shenandoah Apartments								228					
114-35038-NP-SUP—Columbus Village													100
114-42035—Lyons Garden Apartments, Inc											252		
San Antonio, Tex.:													
115-00086-M—Trauerline-MHP													100
115-43015—Austin Geriatrics Center										168			
115-44022-LD-SUP—Laredo Manor Apartments					100								
115-55002—New Light Charter Trust			184										
115-00076-M—Placid Mobile Home Park													245
Albuquerque, N. Mex.: 116-00037-M—Valencia MHP													125
Oklahoma City, Okla.:													
117-00095-M—Westwood Park													100
117-55019-NP—Avery Chapel Housing			234										
117-00096—Carmel Apartments								60					
117-35037-PM—York Town Apartments							224						
117-35036-PM—Lakecrest Apartments							101						
117-35046-PM—University Park Apartments							72						
117-00065—Woodcrest Apartments								100					
117-00090—Sooner Road Apartments								100					
117-00163-PM—Barkley Apartments								42					
117-00140-M—All Seasons MHP													150
117-35039-PM—Oakview Ltd.							190						
117-35063-PM—Royal Oak Apartments							112						
117-44001-NP-SUP—Wilshire Apartments, Inc					160								

<sup>1</sup> Total number assignments, 328; units, 35,296.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—											
	220	221(d)(3)		236	213	221(d)(4)	207	221(h)	232	608	235(j)	207—M
		BMIR	MR									
JULY 1, 1973 TO JUNE 30, 1974 <sup>1</sup>												
Oklahoma City, Okla.:												
117-00045—Capital Arms.....								224				
117-44019—Prince Hall Village.....				50								
117-44020—NP-SUP—Town and Country Apartments.....				85								
117-44037—LD—Hillcrest Apartments.....				80								
117-35040—Blue Ridge Village Ltd.....								144				
117-35064—PM—Westgate Apartments Ltd.....								160				
117-00153—M—Village Oaks MHP.....												174
117-35093—PM—Wynn Park Apartments.....								100				
117-35042—PM—Cedar Oaks Estates.....								72				
117-00177—Meadowood Village.....									200			
117-35019—LD-SUP—Lincoln Manor Apartments.....			70									
117-35076—PM—MacArthur Park.....								54				
117-35073—PM—Redwood Village.....								130				
117-35024—NP-SUP—Murray County Apartments.....				50								
117-35016—NP-SUP—Lakeview Apartments.....				74								
Tulsa, Okla.:												
118-00075—M—Cherry Creek MHP.....												279
118-35051—PM—Royal Manor South.....								100				
118-00014—M—Lynwood Park.....												277
118-44045—Townhouse Square.....					60							
San Francisco, Calif.:												
121-43026—PM—B.H. Northside Ltd.....									117			
121-35034—NP-SUP—St. John's Apartments.....			158									
121-44005—NP—Prince Hall Apartments.....					92							
121-43067—PM-EC—Coastside Convalescent Hospital.....									41			
121-32020—Lakeshore Village.....	200											
121-35150—PM—Phonewood Apartments.....							240					
121-44154—Taylor Methodist Housing.....					12							
121-35054—NP-SUP—Green Valley Apartments.....						200						
121-35016—LD-SUP—Monte Allan Rio.....						192						
121-43058—Tri-City Community Mental Hospital.....										118		
121-35121—PM—Florence Villa.....												
121-32007—Laguna A. Farrill Apartments.....	150							100				

Los Angeles, Calif.:			
122-35045-NP-SUP—Brighton Park	96		
122-44204-LD-EC-SUP—Jensen Apartments		24	
122-44018—University Gardens		113	
122-55019—Van Nuys Park Apartments	210		
122-43054—Whitney M. Young Memorial Center			94
122-35199-PM—Pachapps Townhouses		128	
122-44321-LD-Sup—Lynwood Lodge		18	
122-44565-NP-Sup—Southtown Apartments		30	
122-44081-NP-R-Sup—Port Hueneme Redevelopment		90	
122-35020-NP-Sup—Pepper Project No. 1	153		
122-35274-LDC-EC-Sup—Alondra Apartments	50		
122-00149-M—Coco Palms Mobile House			256
122-44462-LDC—Lemosko Apartments	46		
122-00154—Triple H Ranchitos		157	
Phoenix, Ariz. : 123-00055-M—Fountain MHP			294
Reno, Nev.:			
125-43001—Desert Retreat			100
125-35023-PM—Tamarus Park Apartments		108	
Seattle, Wash. : 127-32002-R-EC—Fulton Apartments	19		
Sacramento, Calif.:			
136-35027-PM—Florin East		130	
136-44027-NP—Ralph Kennedy Estates		100	
136-35038-PM—Ainsley Apartments		28	
136-44018-LD—Sierra Plaza		100	
136-32003—Capital Mall Tract 3	203		
Spokane, Wash.:			
171-35102—Fort Wright Apartments		60	
171-35089—La Villa Riviera		89	
171-35079-PM—Valley Terrace		40	
171-35082-PM—Turner Apartments		30	
171-35056-PM—The Chateau		84	
171-35080-PM—Project 84 Association		80	
171-35090-PM—Gatlin Apartments		20	
171-44048-LDC—Chausee Grand Coulee	17		
Anchorage, Alaska:			
176-55001-PB—Alaska State Housing Authority	24		
176-00010—Bay Arms, Inc.		32	

1 Total number assignments, 328; units, 35,296.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—										
	220	BMIR	MR	236	213	221(d)(4)	207	221(h)	232	608	235(j)
JULY 1, 1974 TO JUNE '30, 1975 <sup>1</sup>											
Washington, D.C.:											
000-55010—Linda Pollin Memorial Housing .....		332									
000-44068—Arlene Apartments .....				9							
000-55093—Parkchester Housing Corp. ....		79									
000-44085—NP—SUP—Colorado Avenue Apts.				21							
000-43014—National Medical Association Fund										256	
000-00114—Rockview Apartments .....							88				
000-44106VP—SUP—Fairmont Square .....				9							
New York, N.Y.:											
012-44095—Park Apartments .....				56							
012-00814—Azalea Gardens .....							42				
012-44028—South Haven Homes .....				156							
012-35088—PM—Jackson Terrace Gardens .....						426					
012-55233—NP—SUP—Mott Haven Redevelopment		165									
012-55174—NP—SUP—Gates Patchen Housing .....		102									
012-00750—Independence Park, Section I .....							436				
012-44020—NP—SUP—East New York Houses .....				141							
012-32001—Delano Village No. 1 .....	258										
012-32002—Delano Village No. 2 .....	258										
012-32003—Delano Village No. 3 .....	258										
012-42193—Riverview Terrace Apartments .....										168	
012-55019—LD—Park Hill Apartments No. 1 .....		403									
012-55183—NP—SUP—Gates Avenue Housing .....		160									
012-55123—NP—EC—Four Buildings Development Fund .....		44									
012-55101—Artists Housing .....		384									
012-55165—NP—SUP—Long Island Baptist Housing .....		24									
012-55056—Lexington Court Apartments .....		112									
012-55223—BS—SUP—Green Quince Development .....		47									
012-55026—Park Hill Apartments No. 1 .....		403									
012-32027—R—Delano Village No. 7 .....	259										
012-32028—R—Delano Village No. 6 .....	259										
012-44013—NP—SUP—Mott Haven Housing Development .....				26							
012-55048—NP—SUP—227 East 4th St. ....				13							
012-44055—BS—SUP—51 Quince St. ....				20							
012-55050—BS—EC—Amboy St. Rehabilitation .....		78									
012-55174—NP—SUP—Gates-Patchen Housing .....		102									

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—											
	908	220	221(d)(3)		236	213	221(d)(4)	207	221(h)	232	608	235(j)
			BMIR	MR								
JULY 1, 1974 TO JUNE 30, 1975 †												
Albany, N.Y.: 013-44014-LDC-SUP—Rip Van Winkle House.....					179							
Providence, R.I.:												
016-55007—Kent Farm Village.....			250									
016-44004-LDC-SUP—Oxbow Farms.....					302							
106-55005-LDC—Rolling Green Village.....			201									
016-55003-NP-SUP—Wiggins Village.....			285									
Hartford, Conn.:												
017-44076—St. Christopher Apartments.....					100							
017-55025—Ethan Gardens Cooperative.....			28									
017-55127—Sherman-Scranton Housing, Inc.....			22									
017-55024—Winter Gardens.....			34									
017-44003-NP-EC—Dixwell Housing Development.....					49							
017-55009—Barbour Garden Apartments.....			85									
017-55119—Antillean Manor.....			31									
017-00101—Park Tower Apartments.....								109				
017-09002—Magnolia Garden Apartments.....								77				
017-32009-R—Crown Court.....		105										
017-55019-NP-R—Mount Olive Homes.....			47									
017-41062-LDP-SUP—Naugatuck Apartments.....					135							
017-90006—Colt Gardens, Inc.....	89											
Boston, Mass.:												
023-55026—Mountain Village Apartments.....			200									
023-55169—Jamaica Plains Association.....			138									
023-55013—Charlame Park Homes.....			92									
023-44125—Brunswick Gardens.....					129							
023-44063—Blue Hill Apartment.....					90							
023-55133-LDP-EC—Washington Apartment.....			252									
023-55124—Columbia Apartment.....			778									
023-55038—Tammybrook Apartments.....			90									
023-35009—Executive House of Quincy.....								176				
023-35044-LDP—Puffton Village II.....								208				
023-55172-LDC-EC—Burbank Apartments.....			173									
023-55174—Rutland Housing.....			43									
023-44180-LDP—Village Court.....					68							
023-55117-LDP-EC—Rockmere Gardens.....			60									
023-55173-LDP-EC—The Dorchester Apartments.....			47									
025-55027-LD—Geneva Avenue Apartments.....			60									

† Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—												
	207-M	220	221(d)(3)		236	213	221(d)(4)	207	221(h)	207	232	608	233
			BMIR	MR									
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>													
Boston, Mass.—													
023-35018-PM—Nassau Gardens, Inc.									204				
023-55059-NP-EC—Charlame Park 2A				28									
023-55061-NP-EC—Charlame Park 2B				13									
023-55017-LD—Bradford Apartments				168									
023-55180-LDP—New Rockmire Apartments				12									
023-35021-NP-SUP—Charlame Park Homes II					38								
023-55165—Danude Associates			65										
023-35066-PM—Dexter Park Apartments								412					
023-33001-PM—Puffton Village No. 1													104
023-44173-LDP-SUP—Park Chester Apartments													98
023-44106-NP-SUP—Willard Place													160
023-44107-NP-SUP—Westminster Place													120
Burlington, Vt.: 026-44005-LDP—Highgate Apartments													120
Newark, N.J.:													
031-55089-NP—East Orange Community Homes			221										
031-35076-FM—Green Village Apartments								318					
031-00343—Pinetree at Madison, Section II										324			
031-55002-D—Riverview Towers I				380									
031-55003-LD—Riverview Towers II				380									
031-32003—Pavilion Corp			680										
031-32004—Collonade Corp			560										
Wilmington, Del.: 032-44004-NP—Asbury Gardens													33
Pittsburgh, Pa.:													
033-44042-NP-SUP—Fairview Housing Corp													50
033-32001—Washington Plaza, Inc.			396										
033-00058-M—Hare Creek MHP		88											
033-44122-NP-SUP—Parknor, Inc.													90
033-44083-NP-SUP—Hill Community Housing Corp. 1													67
033-44166-NP-SUP—Hill Community Housing Corp. 2													48
033-35018-PM—Running Brook I												120	
033-55020-NP-SUP—Tirmington Heights			86										
033-44045-SUP—Bedliff, Inc.													69

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—												
	207-M	220	221(d)(3)		236	213	221(d)(4)	207	221(h)	232	608	235(j)	235
			BMIR	MR									
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>													
Philadelphia, Pa.:													
034-44016-DC—West Park Plaza Apartments					66								
034-35039-PM—Pheasant Run Apartments							142						
034-55033-LDP—Crosby Square			81										
Camden, N.J.:													
035-16001—Harbor City Town House		(223(d))											
035-44025—Harbor City Town House					70								
035-55003-LD—All American Gardens			86										
Cleveland, Ohio:													
042-55051-LDP-R—Park Place No. 1			122										
042-35080-NP-SUP—Bethany Apartments, Inc.				46									
042-35091-EC-NP-SUP—Glenville Rehabilitation				203									
042-44225-LDP-EC—Mayflower Manor House					233								
042-35128-EC-SUP—Superior Housing Corp.				8									
042-35048-PM—Mansfield Chelsea Square							100						
Columbus, Ohio:													
043-72001—Unity Service Club													1
043-00061-M—Mobile Home Park No. 1	278												
043-00066-M—Mobile Home Park No. 3	226												
043-00063-M—Meadowlake Estates	191												
043-35056-PM—The Oaks Ltd.							196						
043-00068-M—Oak Hill MHP	250												
043-00075-M—Mobile Home Park No. 3	259												
043-35026-NP-SUP—Roney Manor Apartments				179									
043-35068-PM—Kingsborough-Westwood							96						
043-35042-PM—Timber West Corp.							192						
043-72009-EC—Dominus, Inc.											3		
043-55001-LD—Murray Hill Apartments			242										
043-35040-PM—Forest Creek Apartments							146						
043-55002-LD—Murray Hill Apartments			176										
043-35096-PM—The Hill Apartments							152						
043-00072-M—Fountain P.L. MHP	200												
043-35053-PM—Floral Park Division							242						
043-44057-LD—Village Green					161								

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—										
	221(d)(3)			236	213	221(d)(4)	207	221(h)	232	608	235(j)
	220	BMIR	MR								
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>											
Detroit, Mich.:											
044-44114	2210 West Philadelphia			50							
044-35104	Rochester Meadow Apartments No. 2								152		
044-35083	Pickwick Apartments								48		
044-35126	Watergate Apartments								141		
044-35046	PM—Rochester Meadow Apartments								196		
044-44330	LD—Kirkwood Ltd.			43							
044-55073	MAN—Danbury Green Cooperative, 2		51								
044-55072	MAN—Danbury Green Cooperative, 1		42								
044-44005	Lancaster Village Cooperative, 1			60							
044-44008	Lancaster Village Cooperative, 4			78							
044-55075	Danbury Green Cooperative, 4		55								
044-55076	Danbury Green Cooperative, 5		37								
044-55074	Danbury Green Cooperative, 3		74								
044-35128	PM—Bretton Park Apartments 2								144		
044-35211	PM—Walnut Creek Apartments								128		
044-35117	PM—Knob on the Lake 2								220		
044-35160	MAN—Trafalgar Apartments			132							
044-55016	MAN—Park Lane Townhouses Cooperative 2		25								
044-00204	PM—Knob on the Lake 3							331			
044-32030	PM—Clinton River Development	32									
044-44006	MAN—SUP—Lancaster Village Cooperative			89							
044-44007	MAN—SUP—Lancaster Village Cooperative No. 3			60							
044-55015	MAN—Parklane Townhouses Cooperative No. 1		64								
044-43016	Friendship Haven Nursing Homes									170	
044-35193	PM—Western Hills Apartments								144		
044-35076	PM—Oakland Valley Apartments No. 2								140		
044-44115	LDP—EC—Boulevard East Apartments			32							
044-23211	MAN—Pulmer Park Cooperative				32						
044-35204	PM—Harvard Square								88		
044-35070	PM—Glenwood Orchard Apartments								160		
044-44300	LD—EC—Motor City Apartments			88							
044-35317	PM—Knob on the Lake No. 4							300			
044-44234	LDI—Congress Hills Apartments			300							
Cincinnati Ohio:											
046-35200	J. & M. Apartments			6							
046-35187	CHI Housing, Inc			18							
046-44028	Almirurm Terrace				33						
046-44101	Jason No. 1				48						
046-44031	LDC—Olive Hills Apartments				110						

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—											
	221(d)(3)			236	213	221(d)(4)	207	221(h)	232	608	235(j)	207—M
	220	B MIR	MR									
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>												
Cincinnati, Ohio:												
046-35293—EC—Walnut Hill Apartments			86									
046-35189—C. B. One Apartments			16									
046-44102—Callie Apartments				35								
046-35364—Cincinnati Apartments			58									
046-35139—Sup—Paffel Apartments			11									
046-35404—Phine Main Apartments			28									
046-35327—Sup—North Burnett Apartments			78									
046-44122—Sup—Alms Hill Apartments					200							
046-44093—Sup—CWFF Housing Corp.					90							
046-35349—Sup—Haddon Hall Apartments			113									
046-35368—Sup—Shilo Apartments			13									
046-44103—NP—Sup—St. Marks AME				14								
046-43004—PM—Oak Pavilion Nursing Home								150				
046-44022—NP—Sup—United Hospital No. 2				80								
046-35339—Sup—Stonewall Court			40									
046-44087—NP—Almirwin Terrace No. 2				5								
046-44048—NP—McKinley Manor				16								
046-72003—NP—Freedom Homes for All										8		
046-35381—DP—Wide World No. 2 Apartments			63									
046-44021—NP—Sup—United Housing Development No. 1				30								
046-44131—LDP—Sup—Kadco Apartments				35								
046-15001—Vernon Convalescent Center)								150				
046-43012—Vernon Convalescent Center)												
046-44127—Sup—Patricia Gardens				35								
046-35018—NP—Sup—Shiloh Towers, Inc.			27									
046-44005—NP—Sup—United Methodist				119								
046-35218—NP—Sup—Fairstate Development No. 1			25									
046-35322—PM—Wescott Square Apartments							160					
046-44080—NP—Sojourner Truth Apartments				27								
046-44067—NP—Albright Apartments				112								
Grand Rapids, Mich.: 047-00030—M—Valley Vista Village MHP												137
Detroit Mich.:												
048-35017—PM—River Bend Club Apartments						144						
048-35023—PM—Diplomat Arms						48						
048-35007—PM—Collingwood Village No. 2						116						
048-56001—Genesee Community Development								4				
048-35002—PM—Collingwood Village No. 1					60							
048-00035—Apple Creek Station Apartments							192					

<sup>1</sup> Total number assignments 1 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—									
	221(d)(3)			236	213	221(d)(4)	207	221(h)	232	608
	220	BMIR	MR							
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>										
Detroit, Mich:										
048-35016-PM—Country House Apartments										126
048-35052-PM—Stratford Square										120
048-35053-PM—Kingswood Estates										120
048-35044-PM—Vienna Road East										56
Richmond, Va.:										
051-32004-Newport Towers Apartments	130									
051-44081-NP-Sup—Shenandoah Homes, Inc				144						
051-35054-PM—Charisma Townhouses, Inc						128				
051-44151-NP—Robins Court				15						
Baltimore, Md.:										
052-44098-MAN-Sup—Beacon Terrace				100						
052-35014-LD-Sup—Patapsco Park Apartments									120	
052-35049-LDP-Sup—Newtowne Twenty-Two									144	
Greensboro, N.C.:										
053-44075-Rolling Hills Manor				100						
056-44002-MAN-Sup—Springfield Townhouses No. 1				60						
053-44003-MAN-Sup—Springfield Townhouses No. 2				64						
053-44004-MAN-Sup—Springfield Townhouses No. 3				56						
053-35034-PM—Peale Terrace Manor						50				
053-44122-LDO-Sup—West Green Apartments				100						
053-35081-PM—Ridge Gardens						98				
053-35084-PM—Ingleside West Apartments						112				
Columbia, S.C.:										
054-44062-LDP-Sup—Chester Heights				40						
054-44052-LDP—North Plaza				120						
054-35167-PM—Lakeside Manor						54				
San Juan, P.R.:										
056-44010—Villas De Navarra						170				
056-44009—Carolina Towers						280				
056-44031-NP—Thomasville No. 1						100				
Atlanta, Ga.:										
061-44088—Big Bethel Towers						182				
061-55038-LDI—Rockdale Apartments			250							
061-55054-LDI—Rockdale Apartments No. 2			75							
061-44022-Sup—Colony West Apartments						76				

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—											
	221(d)(3)			236	213	221(d)(4)	207	232	608	207—M	233	242
	220	BMIR *	MR									
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>												
Atlanta, Ga.:												
061-35108-PM—Westbridge Apartments II .....						180						
061-35044-PM—Southwood Apartments .....						196						
061-35038-PM—Tara Apartments .....						220						
061-44010-MAN—Green Meadows Cooperative .....				120								
061-44107-MAN—Oxford Village II .....				100								
061-55052-NP—Flipper Temple Homes .....		263										
061-35073-PM—Kings Ridge .....						602						
061-44083-LDP—Clayton Village Apartments .....				184								
061-35100-PM—Westbridge Apartments I .....						244						
061-44127-LDP—Camptowne Gardens .....				50								
061-44273-LDP—Parkway Blvd, No. 2 .....				186								
Jacksonville, Fla.:												
063-00026—English Cove Apartments .....							112					
063-44039-LDP-SUP—Warrington Village .....				200								
New Orleans, La.:												
064-00019—Townhouse Apartments .....						72						
064-00050—Park Esplanade .....						444						
064-00053-M—Modern Living MHP .....										253		
064-00056-PM—Metarie Towers Apartments .....						219						
064-00059-M—Parkwood Plaza MHP .....										311		
Jackson, Miss.:												
065-35106-PM—Pecan Village Apartments .....						72						
065-00065-M—University Hills MHP .....										200		
065-33001—Fredells Village .....											28	
065-00068-M—Timberlane MHP .....										225		
Coral Gables, Fla.:												
066-35094—Stewart Arms Apartments .....			208									
066-44042-NP—Crystal Lake Gardens .....				201								
066-13003—Victoria Hospital .....												300
066-44077—Pinewood Villas .....				272								
066-44087—Stanely Terrace Apartments .....				96								
066-35082-PM—Deerfield Gardens .....						140						
066-44031-NP—Mount Zion Terrace Apartments .....				150								
066-35068-PM—Richardson Arms Apartments .....						240						
066-44019-NP-SUP—Tuskegee Gardens .....				171								

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—							608
	220	221(d)(3)		236	213	221(d)(4)	207	
		BMIR	MR					
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>								
Tampa, Fla.:								
067-44002-NP—Murchison Villa				36				
067-44021-DP—Kissimmee Court				85				
Chicago, Ill.:							78	
071-00192—Casa de Oro								
071-44012—St. Paul Foundation				55				
071-55195—Douglas-Lawndale		123						
071-44010-LD—Pierce North Apartments				51				
071-55193-LDT—Golden Meadows North		108						
071-35101-PM—Salem-Cross Apartments						112		
071-44047-NP—Lake Park Apartments				61				
071-44084—Michigan Towers South				72				
071-35224-SUP—UOC Chicago No. 1			75					
071-55173-LDT—Bluff Plaza Apartments		206						
071-35033-PM—Amber Manor Apartments						180		
071-35225-SUP—UOC Chicago Apartments			83					
071-44097-MAN—Huntington Park Cooperative				181				
071-55177—Clover Hills Venture		169						
071-35067-PM—Thornhill Way Apartments						285		
071-35070-PM—Burnham Oaks Apartments						377		
071-55176-NP-SUP—Fifth City Citizens		80						
071-35086-PM—Stadium Heights Apartments						128		
071-55120-LDT—Winthrop Towers			281					
071-44159—Pierce-Lemoyne Apartments				56				
071-32014—Oglesby Towers		191						
071-55206—Douglas-Lawndale, Ph. 2, No. 2			57					
071-55207—Douglas-Lawndale, Ph. 2, No. 3			48					
071-44028—Chicago West Side Development Corp.				119				
071-35102-PM—Century Towers						166		
071-35161-PM—Countryside Apartments						240		
Springfield, Ill.:								
072-44018-NP—St. Lukes Diocesan				28				
072-55031-NP—Johnson Park, Inc.		57						
072-43037-PM—New Haven Center							328	
Indianapolis, Ind.:								
073-44252-LD—Oakdale Square Apartments				200				
073-44068—Lakeview Terrace Cooperative No. 1				80				
073-44083—Lakeview Terrace Cooperative No. 2				81				

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—									
	221(d)(3)		236	213	221(d)(4)	207	232	608	235(j)	207-m
	220	BMIR								
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>										
Indianapolis, Inc.:										
073-44186—Lakeview Terrace Cooperative No. 3			90							
073-44187—Lakeview Terrace Cooperative No. 4			90							
073-32002—PM—Riverside One Apartments	140									
073-72023—NP—Urban Housing Programs									1	
073-44247—NP—Eastside Cooperative No. 1			132							
073-44064—Prairie Village			74							
073-72029—NP—Housing and Neighborhood Development No. 3									5	
073-35105—PM—Mall Apartments					84					
073-35073—PM—West Park Townhouses					200					
073-72019—NP—Housing and Neighborhood Development No. 1									2	
073-35100—PM—Oak Hill Apartments					48					
Milwaukee, Wis.: 075-44015—LDP—SUP—Appollo Village Apartments			239							
Memphis, Tenn.:										
081-35054—Hornill Homes Apartments			148							
081-43019—PM—Tranquillaire Hospital							84			
081-44035—DP—Creekwood Village			96							
081-44018—LD—Corning Village Apartments			148							
081-43014—Tranquillaire Nursing Home							68			
081-09002—Hill Crest Apartments						116				
081-35041—NP—SUP—Cypress Gardens Apartments			24							
Little Rock, Ark.: 082-00033—M—Shady Grove, MHP										181
Louisville, Ky.:										
083-00043—M—Holiday Park MHP										65
083-35081—PM—Kentucky Towers					280					
Kansas City, Mo.:										
084-00050—Karen's Townhouse, Inc.						45				
084-35069—PM—Westminster Village Apartments					218					
084-00085—Coventry Manor						84				
084-44016—NP—SUP—Allen Gardens			78							
084-35057—PM—Sycamore Hill Apartments					207					
084-55035—MAN—Park Tower Gardens, Section A		48								
084-55036—MAN—Park Tower Gardens, Section B		64								
084-55044—MAN—Park Tower Gardens, Section C		68								

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—										
	221(d)(3)			236	213	221(d)(4)	207	232	608	231	207-M
	220	BMIR	MR								
JULY 1, 1974 TO JUNE 30, 1975 †											
Kansas City, Mo.:											
084-55045—MAY—Park Growers Gardens, Section D .....		64									
084-55046—MAY—Park Grower Gardens, Section E .....		60									
084-00083—Russell Road Apartments.....							53				
084-38004—Defenders' Townhouse.....											
St. Louis, Mo.: 085-44032—LDC—Chevy Chase Project 10.....				62						202	
Knoxville, Tenn.: 087-35030—MAN—Morrison Spring Apartments.....			128								
Minneapolis, Minn.:											
092-32003—Capitol Plaza South.....	72										
092-00085—PM—Victory Highway Village.....											227
092-35063—PM—Hazlewood Park.....						113					
092-55001—LD—SLP—Girard Terrace East.....		185									
092-55002—LD—Girard Terrace West.....		178									
092-35021—PM—Stevens Avenue Properties.....						73					
092-00162—PSL Co.....							26				
092-44003—NP—SUP—Cecil Newman Plaza.....				64							
092-44072—VP—South High Nonprofit Housing.....				212							
Denver, Colo.:											
101-35086—PM—North Hill Apartments.....										100	
101-35095—PM—Ciarics Apartments.....										160	
101-35031—PM—Blackberry Hill.....										109	
101-35138—PM—Kensington Park, Phase II.....										328	
Wichita, Kans.:											
102-55004—LD—Trail Ridge Apartments.....		152									
102-44001—LD—Northwood Apartments.....				54							
Omaha, Nebr.:											
103-00056—PM—Lake Forest Apartments II.....										312	
103-00046—PM—Wentworth South.....										312	
Dallas, Tex.:											
112-35124—Westwood Townhouses.....						120					
112-44198—NP—El Segundo Square.....				16							
112-35063—PM—East Meadow Apartments.....										232	
112-35069—PM—Old Mill Stream.....										320	

† Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section —										
	221(d)(3)			236	213	221(d)(4)	207	232	608	242	207-M
	220	13MIR	MR								
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>											
Dallas Tex.:											
12-55022-LDP—Pleasant Village .....	200										
Fort Worth, Tex.: 113-35026-PM—Rolling Meadows Patio Homes .....						100					
Houston, Tex.:											
114-13001—Space Center Memorial Hospital .....										130	
114-15001—Space Center Memorial Hospital .....											
114-35054-PM—Chivas Square .....						104					
114-35020-Sup—Prince Hall Villa .....			100								
114-44001-NP-SUP—Fourth Missionary Village .....				160							
San Antonio, Tex.:											
115-55007-NP—Ma-Son Homes .....	140										
115-35038-PM—Peres Apartments .....						16					
115-35071-PM—Village Green Apartments .....						200					
115-35042-PM—Colonial North Apartments .....						240					
115-35073-PM—Jackson Square, Ltd. ....						52					
115-55021-LDP—La Lucinda Arms .....	128										
115-55015-LDP—Cunningham Manor Arpatments .....	101										
115-55012-LDP—Goliad Garden Apartments .....	100										
115-55011-LDP—Austin Arms Apartments .....	100										
115-55005-NP—Ebenezer Charitable Trust .....	100										
Albuquerque, N. Mex.:											
116-35023-PM—Tramway Village .....						180					
116-00038-M—Executive Parks .....											150
Oklahoma City, Okla.:											
117-00056—Kings Cove .....							146				
117-35117—Timber Ridge .....			62								
117-00082-M—Mid-State Development Co. ....											253
117-00041—Lakeview Towers .....							188				
117-35055—Presidential Gardens .....						120					
117-00109-M—Southdowns MHP .....											99
117-00187—Lake Club .....							75				
117-00099-M—Lampighter MHP .....											50
117-00138-M—Canadian Shoreland MHP .....											175
117-44094—Anadarko Apartments .....			40								
117-35070-PM—Village South .....							72				
117-35065-PM—Meadowbrook Apartments .....							233				

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—									
	221(d)(3)			236	213	221(d)(4)	207	232	608	207—M
	220	BM1R	MR							
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>										
Oklahoma City, Okla.:										
117-35071—PM—East of E Apartments.....						108				
117-55005—NP—Villa Savoy.....		132								
117-35049—PM—South Winds Apartments.....						180				
117-44057—NP—Southgate Apartments.....				48						
117-00116—M—Hallmark MHP.....										66
117-00068—M—Hospitality MHP.....										146
117-34115—PM—Sandpiper South.....						200				
117-35114—PM—Sandpiper North.....						276				
117-00193—Greenway Square Apartments.....							200			
Tulsa, Okla.:										
118-44044—Cowita Apartments.....				60						
118-35027—PM—Place Two Ltd.....						86				
118-35017—PM—2200 Sheridan Apartments.....						58				
118-44017—NP—Oak Ridge Apartments.....				70						
118-35048—River Oaks Apartments.....						160				
118-35010—PM—Glenwood Plaza Apartments.....						40				
San Francisco, Calif.:										
121-44121—NP—Lottie Johnson Memorial Housing.....				27						
121-35103—Grantland Manor.....						95				
121-00305—Kelton Courts.....							119			
121-35386—NP—Carolane Apartments.....						92				
121-00211—M—Sunset Vacavilk, MHP.....										172
121-44137—NP—Mare Oakland Housing.....					231					
121-55073—DP—Crescent Village.....		106								
121-44052—NP—SUP—Univista Apartments.....					24					
121-44219—NP—Jones Memorial Homes.....					155					
121-40371—PM—Keokuk Convalescent Hospital.....								100		
121-44100—NP—SUP—Oak Center No. 1.....				75						
121-35265—PM—Turlock Park Apartments.....						104				
121-35003—PM—Clarke Avenue Associates.....						94				
121-44141—LDP—Lido Square No. 2.....					43					
121-44040—LDP—Lido Square No. 1.....					128					
121-35254—PM—Casa de Abbe.....								48		
121-32028—Yatsu Nami Housing.....		36								
121-00120—Bel Arbor Apartments No. 2.....								229		
121-35332—PM—Jacquelyn Court.....						86				
121-44136—MP—Woods Manor.....					80					
121-35087—PM—Elia Apartments.....						28				
121-00353—PM—North Bay Club Apartments.....								248		

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—											
	221(d)(3)			236	213	221(d)(4)	207	232	608	207-M	231	223-E
	220	13MIR	MR									
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>												
Los Angeles, Calif.:												
122-44383—Willowbrook Manor				16								
122-00141—M—Golden Coach of Hemet											169	
122-35241—PM—Villa Seville Apartments No. 1						120						
122-55017—NP—Rose Garden Apartments		156										
122-44491—NP—Northwest Manor				44								
122-44242—Washington Townhouses				20								
122-55011—LD—Meridian Park Apartments		239										
122-44711—Supermex No. 1				59								
122-44520—NP—Imperial Place				14								
122-44598—LDP—Houston Homes				60								
122-44511—LaBrea Gardens				185								
122-44661—LDC—Redevelopment No. 7				220								
122-44597—LDC—Shreridan East Villa				47								
122-35275—LDC—SUP—Subsized Ltd			50									
122-44518—LDC—Sheridan Manor				47								
122-44471—LDP—SUP—Los Angeles Pro 3				122								
122-44473—NP—Wattswood Housing Corp.				54								
122-44248—LDP—Ellendale Arms Apartments				67								
122-44586—LDP—SUP—Sheridan South Villa				38								
122-44569—LDC—Sheridan West Villa				49								
122-44135—LDC—SUP—Turner Apartments No. 1				55								
122-00148—M—Sharewood MHP										230		
122-44657—LD—SUP—Sheridan Manor No. 7				90								
122-44309—LDP—Cerise Apartments				134								
122-44240—LDP—Pacific Palms				139								
122-44178—LDP—Miller Apartments				64								
122-38011—NP—Prell Gardens											59	
122-58501—NP—SUP—Action Santa Clara No. 1												17
122-58502—NP—SUP—Action Santa Clara No. 2												22
122-58504—NP—SUP—Action Santa Clara No. 4												11
122-44656—LD—SUP—Sheridan Manor No. 6				70								
122-44474—LDP—SUP—Los Angeles Pro VI				127								
122-58508—NP—SUP—Action Indiana No. 8												13
122-58507—NP—SUP—Action Broadway No. 7												26
122-35161—Monica Apartments						178						
122-35193—PM—Le Concorde Apartments						54						

<sup>1</sup> Total number assignments, 480; units, 60,601.

PROJECTS ASSIGNED TO HUD—BROKEN DOWN BY FIELD OFFICE, SECTION OF THE ACT AND NUMBER OF UNITS—Continued

	Section—											
	220	221(d)(3)		236	213	221(d)(4)	207	232	608	207-M	235	231
		BM12	MR									
JULY 1, 1974 TO JUNE 30, 1975 <sup>1</sup>												
Phoenix, Ariz.:												
123-44046—Lulac Villa.....			200									
123-35059-PM—Spanish Village on the Trail.....					160							
123-00043—Black Canyon Apartments.....							102					
123-44026-LD-SUP—Frye Apartments.....			48									
Reno, Nev.:												
125-35021-PM—Childrens Manor.....					30							
125-35015-NP-SUP—Casa Rosa Apartments.....			101									
Portland, Oreg. : 126-35032—Northwest Estates.....			9									
Seattle, Wash. : 127-72005—Houses to Homes, Inc.....											2	
Anchorage, Alaska: 130-42017—Jefferson Court Apartments.....								79				
Lubbock, Tex. : 133-35002-NP-SUP—North Crest Apartments.....			68									
Sacramento, Calif.:												
136-35049—Claremont Arms.....					30							
136-38013—Arcade Creek Manor.....												292
Honolulu, Hawaii: 140-35027—Maunsloa Shores.....						84						
Spokane, Wash.:												
171-44022—Brigant Arms South.....			56									
171-35083-PM—Adams Courts.....							20					
171-35063-PM—Armenia Apartments.....							43					

<sup>1</sup> Total number assignments, 480; units, 60,601.

**Question 27.** For each project assigned give the per unit/per year operating costs which applied during the period immediately preceding the date of default.

**Answer.** Records of this nature are unavailable to the Department due primarily to the variances, such as rents including utilities, rents excluding utilities, unit sizes, family composition, assessment valuations by municipalities, etc.

**Question 28.** For each Area Office, give the average processing time required for approval of rent increase requests during fiscal year 1974? Fiscal year 1975?

**Answer.** Since April 1973, all Area and Insuring Offices have been operating under strict rules to process rent increase requests within thirty (30) days of receipt. Of course, this time limit is contingent upon all information required to process such a request being made available by a multifamily project owner. With rare exceptions, on a case by case basis, all Area and Insuring Offices are processing rental increase requests within this thirty (30) day limit.

The total time required for rental increase request, approval and implementation is 90 days, as follows:

1. Thirty (30) days notification to tenants of intent to request a rental increase.
2. Thirty (30) days processing time by Area and Insuring Offices.
3. Thirty (30) days notice to tenants of rental increase before implementation.

**Question 29.** How many projects assisted under the multifamily provisions of the National Housing Act were foreclosed during fiscal year 1974? Fiscal year 1975?

**Answer.** The number of projects assisted under the multifamily provisions of the National Housing Act acquired in fiscal year 1974 and fiscal year 1975 were: Fiscal year 1974—151 projects (13,910 units); and fiscal year 1975—151 projects (17,213 units).

**Question 30.** For each project foreclosed, give the following data: Area office, HUD assistance program, number of units in the project, per unit/per year operating costs which applied during the period immediately preceding the date of default.

**Answer.** The data with respect to Area Office, HUD assistance program, and number of units is attached. However, the per unit/per year operating cost which applied during the period immediately preceding the date of default is not immediately available and could be obtained only by means of an extensive field survey.

The attachment submitted in answer to question 30 follows:

ACQUISITIONS, FISCAL YEAR 1974

Project No.	Office	Section of the act	Number of units	Project No.	Office	Section of the act	Number of units
000-72001	Washington	235	8	113-35036	Fort Worth	221	88
071-44072	Chicago	236	65	101-56015	Denver	221	5
071-55912	do	221	36	117-00054	Oklahoma City	207	101
071-55013	do	221	18	122-55068	Los Angeles	221	225
071-55015	do	221	42	118-35004	Tulsa	221	75
071-55016	do	221	24	127-44086	Seattle	236	85
071-55017	do	221	36	114-40054	Houston	608	24
071-55022	do	221	45	114-40055	do	608	24
071-55045	do	221	54	114-40060	do	608	20
112-35024	Dallas	221	109	114-40057	do	608	28
117-35016	Oklahoma City	221	74	034-55008	Philadelphia	221	80
121-44060	San Francisco	236	48	171-35050	Spokane	221	40
112-35036	Dallas	221	50	042-35010	Cleveland	221	97
121-32007	San Francisco	220	150	114-40034	Houston	608	24
071-55005	Chicago	221	92	114-40043	do	608	28
071-55006	do	221	54	114-40046	do	608	20
071-55007	do	221	32	114-40053	do	608	24
071-55009	do	221	55	114-40061	do	608	20
071-55010	do	221	37	114-40063	do	608	24
113-35010	Fort Worth	221	150	114-40079	do	608	8
121-55037	San Francisco	221	110	114-40073	do	608	24
051-35046	Richmond	221	125	112-35123	Dallas	221	184
123-35008	Phoenix	221	34	118-35005	Tulsa	221	100
117-35041	Oklahoma City	221	157	065-38001	Jackson	231	194
046-35141	Cincinnati	221	16	118-55009	Tulsa	221	148
051-44061	Richmond	221	125	071-55103	Chicago	221	6
094-35004	Fargo	221	100	127-55068	Seattle	221	78
000-44014	Washington	236	18	121-44003	San Francisco	236	101
061-35122	Atlanta	221	68	046-35192	Cincinnati	221	221
071-55129	Chicago	221	25	112-35020	Dallas	221	840
112-00060	Dallas	207	192	112-35089	do	221	60
112-35120	do	221	180	176-00003	Anchorage	207	50
112-35031	do	221	100	112-44094	Dallas	236	200
113-44009	Fort Worth	236	168	112-55044	do	221	248

## ACQUISITIONS, FISCAL YEAR 1974—Continued

Project No.	Office	Section of the act	Number of units	Project No.	Office	Section of the act	Number of units
085-56005	St. Louis	221	4	085-43005	St. Louis	232	380
085-56002	do	221	5	043-35004	Columbus	221	10
085-56601	do	221	5	044-00121	Detroit	207	417
085-56009	do	221	5	112-00072	Dallas	207	200
085-56007	do	221	6	112-44056	do	236	200
085-56013	do	221	6	065-44007	Jackson	236	144
064-35077	New Orleans	221	68	071-44066	Chicago	236	40
112-35165	Dallas	221	160	063-55003	Jacksonville	221	50
023-52010	Boston	220	151	042-55006	Cleveland	221	328
056-44003	San Juan	336	186	042-55001	do	221	55
083-00026	Little Rock	207	154	014-56003	do	221	7
061-42023	Atlanta	608	164	127-72016	Seattle	235	18
071-32035	Chicago	221	12	085-58501	St. Louis	223e	36
000-40109	do	668	38	171-35027	Spokane	221	124
112-35149	Dallas	221	36	121-55054	San Francisco	221	240
117-00045	Oklahoma City	221	224	112-00054	Dallas	207	152
044-56002	Detroit	207	6	112-35166	do	221	260
071-55046	Chicago	221	50	084-00078	Kansas City	207	22
127-55007	Seattle	221	16	071-55030	Chicago	221	23
127-55006	do	221	12	071-55088	do	221	186
112-44079	Dallas	236	100	112-55003	Dallas	221	99
112-35074	do	221	50	121-55026	San Francisco	221	84
113-00063	Fort Worth	207	168	127-44071	Seattle	236	58
044-42049	Detroit	608	28	084-00072	Kansas City	207	100
044-42050	do	608	28	115-00086	San Francisco	207	96
127-44073	Seattle	236	64	112-35121	Dallas	221	45
127-55048	do	221	12	071-55079	Chicago	221	67
034-44006	Philadelphia	236	115	171-43018	Spokane	232	106
112-00100	Dallas	207	420	048-35028	Detroit	221	96
133-44003	Lubbock	236	60	117-43006	Oklahoma City	232	17
112-35018	Dallas	221	128	044-33501	Detroit	233	20
127-44106	Seattle	236	6	101-55008	Denver	22	10
127-55005	do	221	25	117-00097	Oklahoma City	207	73
112-00127	Dallas	207	280	023-55156	Boston	221	82
012-00957	New York	207	81	102-35008	Topeka	221	216
031-55066	Newark	221	12	127-44079	Seattle	236	20
112-35135	Dallas	221	102	127-44082	do	236	20
126-56008	Portland	221	6	176-55001	Anchorage	221	24
126-56012	do	221	7	127-44081	Seattle	236	96
065-00030	Jackson	207	192	073-44116	Indianapolis	236	163
085-32012	St. Louis	220	24	073-44117	Jacksonville	236	88
033-44019	Pittsburg	236	200	112-35118	Dallas	321	50
023-44154	Boston	236	134	113-44038	Fort Meyer	236	28
121-43042	San Francisco	232	200	067-38003	Tampa	231	350
127-55044	Seattle	221	15				
121-33501	San Francisco	233	24				
					Total (161)		14,734

## ACQUISITIONS, FISCAL YEAR 1975

July							
112-55030	Dallas, Tex.	221	148	065-56006	Jackson, Miss.	221	8
105-51001	Salt Lake City, Utah	1101	3	065-56008	do	221	8
065-72003	Miami, Fla.	235	8	065-56011	do	221	8
066-72004	do	235	8	065-56012	do	221	8
066-72115	do	235	8	033-35009	Pittsburgh, Pa.	221	58
062-44051	Birmingham, Ala.	236	60	126-56007	Portland, Ore.	221	7
071-55102	Wilmington, Del.	221	6	113-00055	Fort Worth, Tex.	207	250
112-35010	Dallas, Tex.	221	116	November			
176-44026	Anchorage, Alaska	236	100	071-34004	Chicago, Ill.	234	6
044-55095	Detroit, Mich.	221	66	114-00092	Houston, Tex.	207	183
112-00085	Dallas, Tex.	207	72	117-55054	do	221	18
August				017-55126	do	221	111
127-56031	Seattle, Wash.	221	6	047-55030	Grand Rapids, Mich.	221	56
044-32012	Detroit, Mich.	220	97	121-38018	San Francisco, Calif.	231	262
017-32006	do	220	24	017-35200	Hartford, Conn.	221	49
September				071-55169	Chicago, Ill.	221	18
115-00076	San Antonio, Tex.	207	245	013-44030	Albany, N.Y.	236	20
127-44090	Sealls, Wis.	236	32	044-55010	do	221	51
136-44010	Sacramento, Calif.	236	72	064-44248	do	236	191
067-44074	Tampa, Fla.	236	132	073-55000	do	221	213
082-72014	Little Rock, Ark.	235	8	117-55004	Jacksonville	221	132
117-35018	Oklahoma City, Okla.	221	76	117-55012	do	221	100
127-44094	Seattle, Wash.	236	43	December			
101-44901	Denver, Colo.	233	40	042-32011	Cleveland, Ohio	220	191
054-00073	Columbia, S.C.	207	112	042-44064	do	236	200
122-00141	Los Angeles, Calif.	207	169	117-44017	Oklahoma City, Okla.	236	40
065-00052	Jackson, Miss.	207	54	115-00011	Tulsa, Okla.	207	145
October				046-72001	Cincinnati, Ohio	235	32
112-00079	Dallas, Tex.	207	275	117-55010	Hartford, Conn.	221	17
114-00104	Houston, Tex.	207	218	035-45020	Camden, N.J.	236	200
121-44034	San Francisco, Calif.	236	287	063-35047	Jacksonville, Fla.	221	138

ACQUISITIONS, FISCAL YEAR 1975—Continued

Project No.	Office	Section of the act	Number of units	Project No.	Office	Section of the act	Number of units
112-35006	Dallas, Tex.	221	172	136-44027	Sacramento, Calif.	236	100
112-00088	do	207	225	171-43014	do	232	212
January				046-35234	Cincinnati, Ohio	221	27
061-42108	Atlanta, Ga.	608	216	012-55014	New York, N.Y.	221	200
065-35077	Jackson, Miss.	221	72	017-55081	Hartford, Conn.	221	199
073-44067	Indianapolis, Ind.	236	60	034-35066	Columbus, Ohio	221	232
073-44176	do	236	259	171-43019	do	232	60
127-44068	Seattle, Wash.	236	250	044-32026	Detroit, Mich.	220	36
117-00090	Oklahoma City, Okla.	207	100	046-42015	Cincinnati, Ohio	605	370
063-55007	Jacksonville, Fla.	221	46	065-56013	do	221	8
031-44031	Newark, N.J.	236	30	071-50070	Chicago, Ill.	221	172
044-23264	Detroit, Mich.	213	38	118-00025	Tulsa, Okla.	207	279
044-23271	do	213	60	075-72007	Milwaukee, Wis.	235	4
February				075-72010	do	235	4
061-35039	Atlanta, Ga.	221	196	075-72011	do	235	5
113-44005	Fort Worth, Tex.	236	214	June			
113-44006	do	236	186	044-44388	Detroit, Mich.	236	135
082-72021	Little Rock, Ark.	235	4	127-72001	Los Angeles, Calif.	235	7
082-72035	do	235	4	122-72002	do	235	8
084-00081	Kansas City, Kans.	207	234	126-5-007	do	221	5
112-35173	Dallas, Tex.	221	160	127-72020	Seattle, Wash.	235	7
113-35037	Fort Worth, Tex.	221	60	122-35307	Los Angeles, Calif.	221	-----
117-00111	Oklahoma City, Okla.	207	175	075-56021	Milwaukee, Wis.	221	5
071-35009	Dallas, Tex.	221	30	075-72005	do	235	6
112-35001	do	221	168	075-72006	do	235	5
034-42009	Philadelphia, Pa.	608	36	075-72005	do	235	7
034-42029	do	608	45	103-55005	Omaha, Nebr.	221	100
046-35008	Cincinnati, Ohio	221	18	117-35060	Oklahoma City, Okla.	221	96
071-55164	Chicago, Ill.	221	71	126-00061	Portland, Ore.	207	33
084-00050	Kansas City, Kans.	207	44	121-43067	San Francisco, Calif.	232	41
084-35009	do	221	108	065-35055	do	221	120
122-43054	Los Angeles, Calif.	232	94	033-72008	do	235	5
122-44081	do	236	92	044-55175	Detroit, Mich.	221	21
122-55015	do	221	220	087-00015	Knoxville, Tenn.	207	79
122-55019	do	221	209	044-44324	Detroit, Mich.	236	-----
March				126-72010	Portland, Maine	235	7
044-44033	Detroit, Mich.	236	27	017-55104	Hartford, Conn.	221	9
001-55038	Atlanta, Ga.	221	250	084-35010	Kansas City, Kans.	221	114
001-55054	do	221	75	114-42035	Houston, Tex.	608	252
122-55008	Seattle, Wash.	221	40	127-44028	Seattle, Wash.	236	294
000-59006	Washington, D.C.	223	6	023-55131	do	221	209
April				112-55013	Dallas, Tex.	221	202
065-35037	Jackson, Miss.	221	104	071-35055	Chicago, Ill.	221	152
084-35052	Kansas City, Kans.	221	91	112-35143	Dallas, Tex.	221	200
031-40066	Newark, N.J.	608	12	000-35014	Washington, D.C.	221	84
084-46011	Kansas City, Kans.	1002	169	000-42270	do	608	170
023-23001	Boston, Mass.	213	29	023-55048	Boston, Mass.	221	315
012-32068	New York, N.Y.	220	7	031-00223	Newark, N.J.	207	56
044-44044	Detroit, Mich.	236	6	035-59016	Camden, N.J.	223e	6
May				042-35007	Cleveland, Ohio	221	13
012-00949	New York, N.Y.	207	82	043-72001	Columbus, Ohio	235	5
112-35084	Dallas, Tex.	221	90	043-72005	do	235	8
115-35084	San Antonio, Tex.	221	23	044-23188	Detroit, Mich.	213K	19
012-33004	New York, N.Y.	233	23	044-23198	do	213K	75
023-55056	do	221	27	045-44005	do	236	152
023-55057	do	221	19	067-44045	Tampa, Fla.	236	120
023-55159	do	221	28	073-51009	Indianapolis, Ind.	221	332
034-44016	Philadelphia, Pa.	236	66	112-5001	do	221	163
044-55177	Detroit, Mich.	221	17	117-44000	Oklahoma City, Okla.	236	36
067-44024	Tampa, Fla.	236	107	117-55004	do	221	115
084-56006	Kansas City, Kans.	221	4	127-72027	Seattle, Wash.	235	7
113-80008	Fort Worth, Tex.	803	500				
117-35063	Oklahoma City, Okla.	221	112				
122-56031	Los Angeles, Calif.	221	8				
					Total.....		17, 873

Question 31. Explain how the deep subsidy provision will solve the problems of escalating operating costs which the operating subsidy was intended to ameliorate?

Answer. The problems of escalating operating costs is that increases in operating costs result in rent increase in both the market rents by formula and the basic rents. All tenants not receiving rent supplement payments or Section 236 "deep subsidy" rental assistance payments must pay at least basic rents, but when basic rents go up, many tenants may have to pay more than 25 percent of their income. If the tenant received the "deep subsidy" rental assistance payment, such a tenant pays only 25 percent of adjusted income (below basic rent) while the "deep subsidy" pays the difference between the tenant's rent and the basic rent.

Question 32. Will your department increase the percentage of tenants at a project who may receive the benefits of deep subsidy assistance?

*Answer.* The Department is now considering ways to permit the percentage of tenants receiving "deep subsidy" to be increased on a case by case basis for certain special categories of tenants, such as the elderly or handicapped or those displaced by governmental action.

*Question 33.* If there are no plans to expand the deep subsidy assistance beyond 20 percent of the tenants at a project, what other steps does your department contemplate for assisting the other tenants who are suffering from inflation in utility and operating costs?

*Answer.* As stated in the answer to question 32, the Department is considering expanding the "deep subsidy" assistance beyond 20 percent of project tenants under certain circumstances. In addition, the Department is also exploring other alternatives for assisting tenants who are suffering from inflation in utility and operating costs.

*Question 34.* How many tenants in 236 projects now pay more than 35 percent of their adjusted income for rent? How many pay 30 percent or more? How many pay 25 percent or more? What percentage of total tenants do these numbers represent?

*Answer.* Our Research and Statistics Division is unable to supply the exact answer to this question because records are not kept in this fashion.

However, Research and Statistics is able to supply the rent to income ratio of families who moved into Section 236 projects during the period October 1, 1974 to March 31, 1975. This information is gathered from Forms 3131, application for admission to Section 236 projects.

Rent income ratio (percent):	Total families/units
Under 15 percent.....	106
15 to 16.99.....	82
17 to 18.99.....	347
19 to 20.99.....	1,405
21 to 22.99.....	5,999
23 to 24.99.....	7,524
25 to 29.99.....	11,762
30 to 34.99.....	6,064
35 to 39.99.....	3,323
40 and over.....	9,569
Total.....	46,181

As of December 31, 1974, there was a total of 422,881 units insured and/or held by the Secretary under Section 236. If we assume a 93 percent occupancy ratio as projected during initial processing and assume the above is the norm, the probable rent to income ratio would reflect the following:

Projected rent income ratio:	Projected occupied units
Under 15 percent.....	903
15 to 16.99.....	698
17 to 18.99.....	2,955
19 to 20.99.....	11,965
21 to 22.99.....	51,088
23 to 24.99.....	64,075
25 to 29.99 (26).....	100,166
30 to 34.99 (13).....	51,641
35 to 39.99 (7).....	28,299
40 and over (21).....	81,490
Total (67).....	393,280

The table reflects that 67 percent of the total families pay over 25 percent of their income for rent.

*Question 35.* If the payment of utilities has been transferred to a tenant, will the "personal benefit expense" be included in calculating the "rental payment" for determining the amount of deep subsidy which can be paid on that tenant's behalf?

*Answer.* This will be done to the extent authorized by existing law. The Housing and Community Development Act of 1974 provides for a deep subsidy payment on behalf of tenants in section 236 projects so as to reduce the tenant's rental payment to 25 percent of his income. Where utility costs are not included in rent, the Act provides that the deep subsidy payment will be in an amount required to permit a rental charge at such an amount less than 25 percent of the tenant's income as the

Secretary determines represents a proportionate decrease for the utility costs to be paid by the tenant. However, in this case, the Act requires that no rental be lower than 20 percent of a tenant's income. In addition, the deep subsidy payments themselves would with certain exceptions be limited by statute to 20 percent of the dwelling units in any section 236 project made subject to a contract after the date of enactment of the 1974 Act.

RESPONSE OF HON. CARLA A. HILLS TO ADDITIONAL WRITTEN QUESTIONS POSED BY SENATOR JAVITS

*Question 1.* We have heard many complaints about the course of regulations under section 8 and about HUD's ability to implement the program. I believe that you stated in your testimony that the regulations have been written as of several months ago. Do you feel that the section 8 program is now beginning to work?

*Answer.* As of May 5, 1975, all regulations for the section 8 program had been completed; processing handbooks had been issued to our field offices; training had been conducted for some 1,000 field staff, and offices were ready to implement the program.

I indicated on April 30 before the Subcommittee on Housing and Community Development, House Committee on Banking, Currency and Housing, that we expected to make fund reservations for approximately 40,000 units of section 8 housing by the close of fiscal year 1975. In fact, we had prevalidated approximately 92,000 1975. Of this total, approximately 30,000 units were for new construction, 4,000 for substantial rehabilitation, and some 54,000 for existing housing. This accomplishment, which required great effort by our field, regional, and headquarters staff, evidences our commitment to make the section 8 program work. Generally, response from Housing Finance and Development Agencies, Local Housing Authorities, private developers, and local communities has been exceptionally good.

*Question 2.* Since many groups might find it difficult to meet the requirements in section 236 projects, would you support more flexible income limits and eligibility standards as well as a lower rate of increase for rental units? Do you feel that these above suggestions would enable sponsors to recruit an economically integrated population under these above programs?

*Answer.* The provisions of the H&CD Act of 1974 provide ample flexibility in establishment of income limits both for section 8 and for section 236.

Somewhat greater economic mix may result from higher income limits in section 236 projects, but there is a high probability that most of the effect of higher income limits would be expressed in the form of higher average incomes (because of sponsor marketing preferences).

For section 8, it appears that maintenance of income ceilings in present form is sound public policy, directing assistance to "lower" and "very low" income families as defined by the 1974 legislation.

*Question 3.* The cost of existing projects under section 236 and 221(d)(3) have been skyrocketing upward. Would you support legislation that would address this issue?

*Answer.* Inflation in costs has contributed significantly to the problems facing many section 236 and 221(d)(3) projects, but such problems are not necessarily attributable only to inflation. We are currently studying various ways of dealing with projects in difficulty, including possible changes in law, but at this time are not prepared to make recommendations for specific amendments.

*Question 4.* In certain regional sectors such as New York, the cost structures, as you realize, are very high. Would you support higher mortgage limits in these areas that would correspond to the higher cost levels overall?

*Answer.* Yes. There definitely is a need to adjust or modify the unit statutory mortgage limits on FHA-insured rental housing. Mortgages on FHA-insured rental housing projects in the metropolitan area of New York, have, for several years, been restricted to amounts substantially below the costs that necessarily must be incurred to produce new rental housing. There are at least six metropolitan areas where the prevailing costs of producing rental housing exceeds the maximum statutory mortgage limits. These six areas are New York, New York; Boston, Massachusetts; Washington, D.C.; Minneapolis, Minnesota; Columbus, Ohio; and Portland, Oregon. In these high cost areas mortgages on FHA-insured rental housing projects are limited to 145 percent of the basic statutory amounts even though higher amounts can be justified on the basis of the required production costs. Several other localities either are or soon will be in this category.

Sixty-seven other localities are limited by Departmental regulation to mortgage amounts ranging from 100 percent to 145 percent of the basic statutory mortgage limits.

*Question 5.* The issue of neighborhood preservation has become increasingly important to many individuals. Would you support new legislative efforts directed at the preservation of transitional neighborhoods and do you have any specific suggestions of your own on this problem. Senator Javits has introduced S. 492, which provides for a shallow subsidy down to a four percent interest rate as well as refinancing of mortgage loans. Have you had a chance to consider this legislation? Your comments on S. 492 would be greatly appreciated.

*Answer.* Section 4 of S. 492 provides for Federal grants to local governments to assist them in carrying out neighborhood conservation programs, subject to certain requirements, including a five-year plan and "such other conditions and requirements as the Secretary may prescribe." This would establish a categorical assistance program that would duplicate what can be done under title I of the Housing and Community Development Act of 1974 and that is, moreover, basically at odds with the approach of that title, which stresses a reduction of Federal controls and provides for the distribution of funds largely on a needs basis.

Section 5 of S. 492 authorizes insurance of mortgages to permit the refinancing of properties in neighborhood conservation areas. It also provides for a subsidy to reduce interest rates on refinanced properties to 4 percent, thus permitting lower rentals.

The basic refinancing authority in section 5 of S. 492 adds little to what can be done under section 223(f) of the National Housing Act, as added by the Housing and Community Development Act of 1974. Moreover, we do not favor combining a housing subsidy authority with the refinancing of specific buildings or projects, since we do not believe that subsidies generally should be attached to specific buildings or projects unless, as in the case of new construction or substantial rehabilitation, a clear addition is being made to the available supply of housing.

In light of the above considerations, we would strongly oppose enactment of S. 492.

*Question 6.* State Senator John Marchi (New York) has written to you concerning a Federal guarantee of state agency housing bonds which would allow lower interest costs. What is your position concerning the feasibility of this legislation?

*Answer.* We are opposed to the proposal put forth by State Senator John Marchi, because we feel that it would expose the Federal Government and HUD to a considerable financial risk. I am submitting, for the record, a copy of a letter from Acting Assistant Secretary-Commissioner deWilde to Mr. Marchi outlining the Department's objections to his proposal.

The attached letter follows:

HON. JOHN J. MARCHI,  
New York Senate,  
Albany, N.Y.

DEAR MR. MARCHI: I am writing in further reply to your letter of May 20, 1975, in which you urged that HUD provide FHA insurance for project mortgages financed by the New York State Housing Finance Agency (HFA) and the New York State Urban Development Corporation (UDC).

As we understand your suggestion, you are proposing that HUD provide mortgage insurance for the financing of a major portion, if not all, of UDC and HFA projects that have commitments for Section 236 assistance, as well as a large number of Mitchell-Lama projects.

In addressing the issues raised in your letter, it is first necessary to distinguish situations in which projects already are underway or completed from those in which construction has not yet begun.

With regards to projects that are not yet started, HUD will, through its established procedures, accept applications and provide FHA mortgage insurance for any such projects that meet the requirements for HUD/FHA insurance. However, I have been informed by the Area Office in New York and by the technical staff here in Washington that some of the proposed UDC and HFA projects may not qualify for HUD/FHA mortgage insurance. Because of this, I obviously cannot give you a blanket assurance that HUD will provide mortgage insurance for all proposed projects.

For projects already in existence, HUD's capability to insure mortgages is limited to the authority provided by Section 223(f) of the National Housing Act, as amended by the Housing and Community Development Act of 1974. Regulations were published in March of this year implementing this provision of the

law. Under Section 223(f), HUD for the first time is authorized to insure mortgages on existing multi-family projects which do not require major rehabilitation and which were not previously financed with an FHA insured mortgage. The regulations provide for insurance in connection with projects completed for more than three years or projects started prior to June 30, 1975 and completed prior to the end of this calendar year. Projects that will not be completed prior to December 31, 1975, would not be eligible, unless they are at least three years old. It should be added that the Congressional intent in enacting the Section 223(f) program was mainly to provide financing for the purchase or refinancing of older properties in older urban areas.

Furthermore, there is no interest subsidy or other assistance linked to the Section 223(f) approach as there is with Section 236. We moreover consider it inappropriate to attempt to restructure either the Section 223(f) or the Section 236 programs to make the Section 236 subsidies available in connection with the Section 223(f) financing on existing properties. The projects already underway or completed by FHA and UDC received Section 236 subsidy commitments from HUD with the clear understanding that Federally insured financing would not be involved. As a result, many of the underwriting and other procedures that normally would have been followed prior to execution of a subsidy contract were by-passed. It would be an unfortunate precedent to determine at this late date that insurance can now be written in spite of the previous exceptions to regular processing requirements that were made on the condition that Federal insurance would not be utilized.

With regard to the costs of the approach you propose, I have to take serious issue with your suggestion that the use of FHA insurance would involve virtually no cost or risk to the Federal Government.

The pledge made on the part of New York State is to the bond holders and not to the mortgage insurer. In the event of a default on a mortgage, the obligation to the bond holders would be met through the collection of insurance benefits. In fact, provision of mortgage insurance by HUD would expose the Department to a clear insurance risk in order to transfer from UDC and HFA the financial risk of a default. I see no basis for an assumption that HUD would be protected because of the obligation of New York State to the bond holders.

I regret that I cannot provide the New York State Housing Finance Agency and the New York-State Urban Development Corporation with the type of blanket commitment which you have proposed. Nevertheless, be assured that both agencies will receive prompt and fair treatment in any application they make to HUD under our existing mortgage insurance programs. Such applications will be expected to meet all the requirements of our regular project mortgage processing procedures.

Sincerely,

DAVID M. DEWILDE,  
*Acting Assistant Secretary-Commissioner.*

*Question 7.* Over the last year or so, the building of multifamily units has fallen precipitously. Some of this, of course, is due to overbuilding, but a revival of these units is essential to a vigorous housing recovery. Do you have any new programs to correct this problem?

*Answer.* We are continuing to carefully monitor the multifamily production situation and we expect to hold further discussions with experts in the field of multifamily construction and finance. However, I would note that despite the sharp decline in multifamily production which has already occurred, rental vacancy rates have not dropped and the latest available starts data (July) suggests that the multifamily sector may be entering the recovery phase.

Chairman HUMPHREY. Senator Proxmire.

Senator PROXMIRE. Now, I would like to get back to the criticism I received when you responded to Senator Javits' first question on why we cut some of the staff at the Housing and Urban Development.

I would like to tell you that this cut started out, not in the Senate Appropriations Subcommittee, but in the House. It started out with the House Appropriations Subcommittee that recommended the cut. The full House Appropriations Committee went along with the cut. Then the House of Representatives went along with the cut. Then it came over to us. What did we do?

We put the money back, half the money back for regional headquarters, two-fifths of the money for the General Counsel, and the reason we did not put it all back, I think, was a good, solid reason. That is, that the Office of General Counsel, particularly the regional office, is extraordinarily inefficient.

Senator Mathias, whom you know is a very friendly, mild gentleman and a fine Senator, he said he does not know any agency in Government that is so inefficient as those regional offices are. We still restored half the money that had been cut.

Furthermore, if you look at the productivity of HUD, we have a calculation here that in 1972-74, productivity dropped 40 percent, most precipitous drop of any agency we could find.

As I calculate quickly, the number of employees related to the number of assisted housing starts, you find in 1971 there were 25 assisted housing starts for every 1 employee; 1972, 21; 1973, 17; 1974, 16. In the coming year you will have 12.

As the House looked at it and as we look at it, when you have that level of activity reduced so sharply, you do not need all those people. We are giving you a lot of people, approximately as many as you had before. You had 15,200 in 1972; you will have somewhat less than that, but not much less than that in 1976, maybe a few hundred less.

About 200 or 300 less—altogether we are not in the position of trying to cripple your operation. To the contrary, we restored part of the reduction. We are very anxious for you to succeed. When we see an agency which is operating so far below their productivity and their performance in the past, it seems to me that it is perfectly logical to make a reduction. We will put that money back, I am sure, if you can come up and show us that you are making progress, that there are more housing starts, as far as the Government-assisted housing starts that require additional staffing.

Secretary HILLS. There are a number of programs, as you know, some that do not generate starts which the Congress has indicated considerable interest, and those programs require not only regulations from our General Counsel, that office has never been described as inefficient. In my 4 months there, I would say that the work productivity is very high from those people. So that if the measurement is only going to be housing starts, then perhaps we should eliminate the programs, all the other programs, rehabilitation, correction of defects in area programs, the 223, the refinancing of existing mortgages, as fine as those programs may be, they will not show any productivity.

Senator PROXMIRE. Let me interrupt to say, when I talked about productivity dropping 40 percent I was talking in relation to housing production and mortgage credit.

Secretary HILLS. Even with respect to housing production and mortgage credit, 223 and the new program, which would be refinancing multifamily existing, will not show productivity at the start. And 518(b), which I think Congress has so strongly supported, will not show a new start.

There are a number of other programs that I could recite, without taking your time.

Senator PROXMIRE. Let me clarify one other area that we discussed before, the subsidy under section 8 is now \$3,900 for a new unit, \$2,520 for an existing unit. The average is \$3,200. That means a cost of \$1.28 billion for 400,000 units a year.

We believe that you have \$1.5 billion. That would give you much more than 400,000. Even if you only have \$1.28 billion, and you indicate you have more than that, that would give you 400,000. This is July, you will not pay out for the 400,000 for a full year. Therefore, it seems to us, that you have enough money, and as I say, if you can make any showing that you could use more money we would be very happy, both the House and Senate, to provide the additional funds.

Mr. DEWILDE. Senator, I think we could provide you with a breakdown for a planned use of the money. In relation to both that issue and the issue of the staff cut, I am not an expert on productivity figures, but a lot of the production you are talking about is production coming back to us with additional costs in the housing management area.

Senator PROXMIRE. I understand that. I think that is a good correction. When you have that kind of a massive drop, however, 40 percent, is not as if there is a 5 percent or 10 percent, this is an enormous, conspicuous reduction in productivity.

I do not think you can justify it on the fact that you have mistakes made under previous Secretaries where you have had a lot of foreclosures that are causing you a lot of trouble.

Mr. DEWILDE. As one of the people trying to get this thing turned around, what very much concerns me as a manager is the productivity level may have been quite low in relation to the number of people who are employed and the number of things that got done. But, we have a program now. We are ready to go. It is already moving. If our staff is cut back now when we so desperately need to keep a well-trained staff employed and to bring a staff onboard in time to train them so that they do a good job and the kind of job that I know you want in these programs, if we have to wait until later, after we have already established a track record, it is just going to make it that much more difficult.

Senator PROXMIRE. When you have 15,200 people and we make a modest limit of cuts, it seems to me, one way or another, you can weed out some of the people who are not pulling their weight. When you have that kind of productivity drop, it is clear that some of that is technical. Some, although that is rather recent. It seems to me that there are people there who are not efficient.

Mr. DEWILDE. If I could weed out the people who were the most inefficient, I would probably be willing to take that cut. I am afraid that that is not the way it works.

Senator PROXMIRE. You have a point there.

Mr. KLIMAN. One additional point on this productivity matter; I wish I had the insert that we previously supplied to you during the appropriation hearings. You are quite right, that productivity in the housing production and the mortgage credit area dropped. I might add that productivity in the rest of the Department increased substantially.

The reason that the figures in the housing production area show a productivity drop is that when the workload input, when the applications received, because of the downturn in the economy, we made a deliberate decision not to fire the staff. That deliberate decision was to keep the staff on hand in order to maintain a skilled, capable staff in preparation for an anticipation of a recovery in housing.

If we had fired the staff, the figures would have been much better from the purely statistical point of view.

Senator PROXMIRE. I understand that. The point I have in response is, now you have very close to the number you had when you had 2.3 million housing starts roughly in 1972, and it is less than what you had in 1973. But, under those circumstances, you are not going to get back on the basis of the prediction even if we have Senator Javits' and Senator Humphrey's proposal, which I endorse and support at 1.8 million. We are far below the 2.3 million.

Let me quickly get into something else. I would like to get as clear in my mind as I can because I want to be as fair as possible to you—your need for this additional money, more than \$450 or \$475 million we provided for housing assistance. On the existing housing, can you tell us what the section 8 reservation means? Are these bona fide contracts with local housing authorities and local owners of existing properties or merely reservations of funds allocated to the local authorities by HUD? If they are merely reservations, it seems to me you do not have a case for saying you have to have all that money appropriated now, this year, and multiply it by 40.

You know what they are doing this year, Hubert? They are asking for an increase of appropriations from something like \$25 billion to \$51 billion. It is almost entirely because they are extending out for 40 years this housing program. They are taking what they need for 1 year and multiplying it by 40.

It has never been done before. I talked to Senator Muskie about this. He thinks this is not necessary. I do not want to get into that side issue.

What I am trying to find out is whether you actually need that money for a contract reservation?

Mr. KLIMAN. One aspect of it is that we would be in violation of the Antideficiency Act if we were to make the reservation without the funds in hand.

Senator PROXMIRE. I wish you would give me a memorandum on that. I would challenge that. We want to know what the payments are, what the subsidy payments are, too.

I have one question, if the chairman would permit me to follow up. Senator Sparkman asked you about Operation Breakthrough, what we can do. As Senator Humphrey pointed out, costs are up so much; we are trying to find out how we can get those costs down.

I am the author of that amendment. What that amendment provided in 1968, I believe, is that we should have a program in which we have 5,000 units a year for 5 years, with five different mass production companies entering into it. That has never been put into effect; instead, there were a far smaller number of units. The attempt to have a practical experiment with mass production has never been done. We have never tried it. Those units could be used—we would just not have to build 25,000 units and leave them up somewhere abandoned. They could be lived in. It would give us very useful information.

But the way the Department has run this program, it has given us no new technology from the Operation Breakthrough. Everything proposed was known—no cost figures to show whether industrialized housing produced less expensive housing. If there is that, we would certainly like to hear it. Virtually no carry through. Those who took

part, picked up their tents and went back to building or went broke; we have no results on Operation Breakthrough.

Secretary HILLS. Let me supply that to you later, Senator Proxmire, a description of the results of Operation Breakthrough. I think your facts are in error. I think you will be interested in what the results were of that program.

Senator PROXMIRE. What were the cost figures for industrialized housing?

Secretary HILLS. I do not have them in front of me. I did at one time have them in my mind when I earlier appeared before you. I know that they are available and easily accessible. I would like to supply that for the record.

Not only did we reach the production figures, as I recall, but there are seven producers who are currently in the business and did not fold their tents or go bankrupt.

Senator PROXMIRE. I am told those figures were \$50,000, \$60,000 a unit, because you had no volume.

At any rate, would you provide that for the committee? Also, write me personally a letter so I can have that directly to make sure I do not miss it when it comes to the committee file.

Secretary HILLS. Certainly.

Chairman HUMPHREY. It might be well if you could outline the specific questions that we would like to have answered so that the Secretary's response will be to the point.

I think that we have covered a number of items here. I think the solutions that we have had in the past are not very good in the housing field. I hope that your projections, Madam Secretary, can be fulfilled. In fact, as Senator Javits said, the projections are not nearly as optimistic as I think they should be and as the country can take. I would only note that in the testimony that you had, relating to the experience in the 1970 recovery, that there are a number of other factors today that have to be taken into consideration so that the comparison has more relevance.

The important thing to look at is the percentage change, and not the numerical increases. And looking back here on your testimony, I find that single-family starts increased 37 percent in 1970, over a 6-month recovery period that you described. The recovery today has only been 26 percent over a comparable period. Furthermore, if you look at total starts, and not just single-family starts, the recovery was almost 40 percent in 1970; only 21 percent this year. The recovery in 1970 was actually twice as vigorous over the period that your example related to.

Now, this gets back to what is obviously a philosophical difference, an honest difference of view as to how we proceed. There are those of us on this committee—I speak for myself and I think my colleague, Senator Javits, feels the same way—that believe that the wisest use of Federal resources for recovery of the economy and for the improvement of the social structure of this country is in the housing area. I personally believe that many of the things that we are trying to do to stimulate employment are much less effective than what could be done in the housing field.

I was just mentioning this to Senator Proxmire, who, I believe, indicated to me at one time that if we were building at the rate of 2 million units of housing per year right now, we would add how many new jobs?

Senator PROXMIRE. We would add 2 million more jobs.

Chairman HUMPHREY. Two million more jobs.

Senator PROXMIRE. A million more housing starts; 2 man-years for each housing start. The ultimate effect would be 2 million additional jobs. The present recession, no question about it, would be over and be over completely, and we would be in good times.

Chairman HUMPHREY. There is nothing that this country needs more today than the recovery of jobs. The loss of jobs means loss of income, loss of revenues. It also means loss of production and the cost of the recession is much greater than the cost of combating the recession.

The strange part of all the material we get before this committee is the lack of information from the official branches, from the Government itself, as to what is the real cost of the recession. We are constantly talking about the cost as if it were only the Federal deficit or only the number of people unemployed, when in fact there are many real costs of the recession. The cost of the recession is the unbelievable loss of production and of income to individuals and families, of profits to companies, and the salaries to workers, and revenues to Government, and, of course, the loss of pride and the loss of dignity, which comes to a country and the people suffering from unemployment and recession.

Secondly, this country desperately needs housing and it needs housing for a whole segment of our economy. I notice here the public housing starts are still very, very low, even the amount of subsidized rental housing for poor people is low. Existing housing yes, is being used, but it is frankly substandard housing. And housing for the elderly is desperately needed. The greatest thing that ever happened in the housing industry in this country, from a social point of view, was that housing was provided for our elderly. You go down the line, everything from rehab units to sections 236 to 235, there are areas of the housing field that are crying for assistance.

Some of us believe that this is where we ought to be putting our resources, this is where we ought to be putting our best talent, this is where we ought to be innovative. I have always believed that an interest subsidy was one of the most reasonable ways of getting a larger amount of private capital utilized for construction purposes. This country is not going to go bankrupt building decent homes.

I will tell you something. As much as they are needed, food stamps and unemployment compensation do not produce one thing. All they do is produce people standing in line getting accustomed to getting something put in their hand. I am much more interested in people going to work. I am a W-O-R-K man. I think it is much better to spend your time, money, and resources building something than it is just lining up, filling out a blank. That is why I hope we will get back to what Senator Jayits was talking about, cooperation between the Executive and legislative in setting a goal we want to meet. I do not think we want to repeal the 1968 act. That act said the goal was 2,600,000 units. If we want to revise that, since we are more conservative these days, and you want to go back down to 2 million, let us have a goal, let us see, if we can fulfill it. We have

all kinds of other goals. The President says he will veto anything above a certain deficit. That is a goal. We have real goals around here. I don't know why in the name of commonsense we are not able to find out something we can do, rather than something we cannot do. To me, we have time running out on us, despite economic recovery, which is really very fragile. Most economists who come in here tell us—not only economists, but business people—we are going to have a slow recovery. The recession has bottomed out, they say, but it is pretty deep down in a pit. The crawling back up is going to take horrendous effort.

So, Madam Secretary, we are looking to you. You have the drive and you have some people here that would like to help. But I think that the important thing is that we agree on how we are going to help each other. If we are going to argue about the interest rates and how we cannot bring them down a little bit and get on with this, we are not going to get it done at all.

I have some rather good family experiences. I have a young man out there who is a son of mine who wants to build a home. He is looking at that interest rate. I will tell you, everytime they raise that, they lose a bedroom. And you are spending half your time—you spend 30 years paying the interest and 30 years trying to pay the principal. You have 60 years' effort that you have to put into a 30-year mortgage.

Senator PROXMIRE. Mr. Chairman, if you would yield very briefly.

The Joint Economic Committee, I think, has the most intense kind of interest in this.

I think, Madam Secretary, what you said or implied, at least, in your testimony, that housing recovery will depend on the economy—let me put that in perspective for just a minute.

When Leonard Woodcock was here before this committee about 3 months ago, I asked him what we could do that would be most helpful to the automobile industry—he is president of the United Automobile Workers, that is his interest—he said the best thing you could do is to help housing. This would stimulate the economy, in his judgment, more and help the automobile industry more than anything else that he could think of.

What we have this morning—and I think what Senator Humphrey has said about you, you being bright and competent and a wonderful person is all correct, but I think that HUD just has no adequate housing building program. Section 8 is a rental program; everything else has been, almost everything else in terms of housing assistance has been killed. There is a moratorium on it. We do not have a building program to put people back to work or to provide the housing construction that we need if the homebuyer—especially the poor homebuyer—is going to be in a position to bargain effectively with the tenants out there. For this reason it seems to me that we just have to be much more aggressive than we have been in the past in pushing housing. I agree with the chairman that you are certainly the key to it.

Senator JAVITS. Mr. Chairman, may I add that we are your allies, Secretary Hills, we really are. Get on the ball with us and you will be a great Secretary.

Chairman HUMPHREY. Of course, you would have to bypass the OMB, but do not let that bother you.

Did you want to have a benediction here?

Secretary HILLS. Thank you very much, Mr. Chairman. It is a pleasure to be before you.

Chairman HUMPHREY. Thank you. The committee stands adjourned. [Whereupon, at 12:35 p.m., the committee adjourned, subject to the call of the Chair.]

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759

**A CONGRESSIONAL CONFERENCE ON**  
**"A FULL-EMPLOYMENT POLICY: AN EXAMINATION OF**  
**ITS IMPLICATIONS"**

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**HEARING**  
**BEFORE THE**  
**JOINT ECONOMIC COMMITTEE**  
**CONGRESS OF THE UNITED STATES**  
**NINETY-FOURTH CONGRESS**  
**FIRST SESSION**

—————  
**DECEMBER 10, 1975**  
—————

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(II)

CONGRESSIONAL CONFERENCE

"A FULL-EMPLOYMENT POLICY:  
An Examination of Its Implications"

Moderator: Willard Wirtz

Participants

Gar Alperovitz	Hubert H. Humphrey
Nancy Barrett	Dick Kaufman
Barbara Bergman	Leon Keyserling
Barry Bluestone	Robert McPherson
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## TABLE OF CONTENTS

Editors' Note . . . . .	iii
Congressional Conference Sponsors . . . . .	iv
Participants . . . . .	v
Introduction . . . . .	1
I. The Goal of Full Employment . . . . .	17
What do we mean by "full employment"?	
How should it be defined?	
What is the Federal government's present policy toward full employment?	
Is full employment a realistic, attainable goal?	
What specific legislation is necessary to bring about full employment?	
II. Costs and Benefits . . . . .	36
What would be the budgetary costs of full employment?	
And the savings (in terms of reduced outlays for unemployment compensation, food stamps, welfare, etc.)?	
What would be the overall economic impact?	
Is full employment inflationary or anti- inflationary?	
Will an income policy or controls be necessary?	
III. Guaranteeing Jobs . . . . .	59
The Danish and Swedish experience with full employment	
What kinds of jobs should be guaranteed in a full-employment program?	
Who should make the decisions about the kinds of jobs?	
Should the jobs be in the public sector, the private sector, or both?	
What are the long-term implications for the structure of the economy, capital formation, and balanced growth?	
IV. Comments and News Items from the National Press . . .	97



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iii

EDITORS' NOTE

This is an edited transcript of a Congressional Conference on "A FULL-EMPLOYMENT POLICY: An Examination of Its Implications," held in the Dirksen Senate Office Building on 10 December 1975. Nineteen members of the United States Senate and fifty members of the House of Representatives sponsored the forum which was arranged by the Joint Economic Committee and the Council for National Policy Planning.

We have attempted to edit the proceedings of this Conference as minimally as possible. Our first version has been prepared primarily for Congressional sponsors and Conference participants. An expanded version, which will be available shortly, will include other relevant material.

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William Meyers and Jay M. Gould

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## INTRODUCTION

HUMPHREY: It is a great pleasure to welcome each and every one of the distinguished participants to this Conference. You bring together in this room not only a wealth of knowledge and expertise on employment problems, but also a shared conviction that full employment is an essential national goal and a shared distress that we are presently so far from that goal. Each of us is here today not just because we are experts in some aspect of the economic situation but because we are concerned, because we want to improve the presently most unsatisfactory outlook for employment.

I want to thank Bill Meyers of the Council for National Policy Planning for arranging this Conference. He has done, as he always does, a splendid job of conceiving the idea, convincing the rest of us that it was a good idea, and arranging this Conference. I want also to especially thank my good friend Willard Wirtz for agreeing to serve as moderator today. There is simply no one else who could bring to that task quite the same combination of knowledge, interest and ability as Mr. Wirtz.

I hope for two kinds of results from this Conference. First, I hope for and certainly expect fresh ideas and new agreement on the techniques for achieving full employment. Even more important, I hope for and expect fresh ideas and wider agreement on the means for achieving a renewed national commitment to the goal of full employment.

1976 will be the 30th anniversary of the Employment Act of 1946. I think that it might be helpful to recall this morning the genesis of that Act and the legislative trials and tribulations which it experienced. As World War II was drawing to a close, attention was turned to the need to sustain full employment after the War. Memories of the Great Depression were still fresh. Many in Congress and elsewhere felt the need for an explicit national commitment, embodied in legislation, not only to full employment but to the explicit use of the Federal budget as a principal tool for maintaining full employment.

This commitment, although strongly felt by many in and out of Congress, was not shared by a sufficient number of Congressmen. Thus, what was enacted in 1946 was not the Full Employment Act which was originally proposed, but simply the Employment Act. The firm commitment to full employment and the procedures for using the budget to achieve that goal were removed from the draft legislation before it was passed.

As enacted, the Employment Act of 1946 is a commitment, not to full employment, but to "conditions under which there will be afforded useful employment opportunities . . . for those able, willing and seeking to work." Thus the Employment Act recognizes the importance of employment opportunities, but it does not really contain a national commitment to full employment.

The first question on the national agenda today and, I would suggest, on the agenda of this Conference is: How strong is the national commitment to the goal of full employment? Is it time to make a new commitment, embodied in new legislation?

Of course, I think it is time. That is why I have introduced S. 50, "The Equal Opportunity and Full Employment Act." I do not for a moment suppose that my bill S. 50 is adequate in all its details. Indeed, I am actively working on a revised version. However, the commitment to full employment is there. That is the first step.

I was extremely pleased to learn that just within the past week the AFL-CIO's Economic Policy Committee has issued a statement calling for full-employment legislation as a "must" item on the Congressional agenda next year. This, I think, is clear evidence that the national commitment and the national consensus for a truly full employment policy are growing. I hope this Conference will address itself to the question of how to further strengthen this national commitment.

A commitment to full employment is necessary, it is basic, but it is not by itself sufficient. Also necessary are the techniques, the programs, the policy tools for getting to and remaining at full employment.

Indeed, the commitment to full employment may depend on an assurance that the tools and the techniques for getting there exist. It is easy enough to say that "where there is a will there is a way"--that if the commitment is strong enough the goal will be achieved. In reality, however, if the means for reaching the goals are not apparent, the commitment itself may falter. Many people currently believe that full employment is unachievable or that it would bring with it dire inflationary consequences. Until at least a majority of these people can be convinced that full employment is an achievable, practical goal, the commitment for reaching this goal will be lacking.

A second reason why the national commitment to full employment has been weak is that the benefits of full employment have not been fully understood. They are not fully understood today.

Two types of benefits come from employment. The first are the benefits that come from working. These benefits are obvious: income, personal satisfaction, human dignity, good citizenship. These in themselves are enormous benefits. Nonetheless, recent history seems to tell us that by themselves these benefits are not sufficient to create a meaningful national commitment to full employment.

The second type of benefit from employment is the work that

gets done. If the public at large, not to mention Senators and Presidents, could be made to understand what full employment would mean not only in terms of jobs but also in terms of production, the commitment to full employment would be greatly strengthened. If we could only understand that by putting the unemployed to work we would obtain the labor necessary to build houses, collect the trash, restore our cities, clean up and beautify this entire country, we would make a great leap forward in national understanding. Perhaps the way to get to full employment is first to sit down and make a list of all the work that needs doing and the number of people needed to get it done. Approached that way, we might discover we have a labor shortage.

Much of this work that needs doing is in the public sector. If I want to buy a new television, a washing machine, an automobile, a fur coat, or virtually any other privately produced consumer good, the goods are available. The stores are full. For those with the money there is no great difficulty in purchasing privately produced goods. However, if I want my child well educated, my street clean and safe, my neighborhood park well maintained, it's not so easy. This country is desperately short on public goods and services of the most basic nature. Every day we grow shorter and shorter of these basic items because of the financial constraints on state and local government. How ironic, how tragic it is that there are millions of idle people on the

one hand and so much undone work on the other. Wouldn't there be enormous national benefits if the idle people and the undone work could be brought together?

The path to full employment obviously will be long and tortuous. Every economic projection--and I have seen a good many--shows unemployment rates still at 5, 6 or even 7 percent in 1980. The argument that we can never again safely bring the unemployment rate below 5 or 6 percent is heard on every hand.

I would like to charge this Conference with the task of helping to prove these pundits wrong. A way must be found to bring unemployment rates down to more tolerable levels and to do so within a reasonable time frame.

At the same time, we must avoid becoming so absorbed in long-range projections and in setting ambitious long-range goals that we neglect more immediate problems. Right now the unemployment rate is 8.3 percent, and it does not seem to be coming down very fast. While we need a long-range program for changing the structure of the economy and making it possible to bring unemployment rates down to 3 percent or lower, we also need immediate action to provide jobs for millions of unemployed during the long hot summer and the long cold winter of 1976.

In sum, I would like to charge this Conference with the task of bringing together the best of thinking on goals and on means for reaching those goals; the best of thinking on first steps to deal with the current emergency and on ultimate achievement of truly full employment. Those are ambitious requests, but I think there has been gathered in this room today an enormous wealth of knowledge and ideas. You are the people who can propose the solution to these problems, if anyone can.

HAWKINS: No matter what we may be discussing or how we may feel about the issues, basically until we get this country moving ahead, until we return people to work, until we put idle plans to work, there is no solution to the other issues. This is the basic thing.

There is no need to talk in beautiful rhetoric about anything else if people are not going to be put back to work.

My Subcommittee has just completed 10 regional hearings. The people, I think, are way ahead of us here in Washington. They are way ahead of us in their thinking and their demands and their aspirations. And I think that we are going to have to speed up the processes in order to somehow catch up with the general public.

The other day I just picked up this little random article

which says that today we are spending \$287 billion on public, social welfare of various kinds. This, together with public expenditures on social programs, amounts to about 27 percent of the gross national product. I think that this is certainly an indication of policies which we have followed, unfortunately, beginning in 1953, and that succeeding administrations have failed to live up to the promise of the 1946 Employment Act.

Now, that Act was so vague and so general in its character that succeeding administrations have been able to violate the law with impunity. For that reason, we introduced H.R. 50 on the House side and S. 50 on the Senate side. S. 50 is obviously not perfect. We welcome recommendations and suggestions. There are certain parts of the Act which we must now strengthen. There are three specific things that we must do if we really believe in full employment and if we really want to do a job of changing discredited economic policies in getting back to the concept and the practice of full employment. First we must better define what we mean by "full employment." We must do that so that there is no misunderstanding whether or not Arthur Burns, when he speaks of full employment, is speaking of the same type of full employment which we are talking about or which the country is talking about. That need is addressed in H.R. 50 and S. 50.

Secondly, we must mandate at this time that public officials

do what the law intended for them to do. We must not allow them to be unaccountable for official acts. When we say that the objective is full production and is full employment, the occupant of the White House and those officials in the Congress responsible for the effectuation of policy must be held accountable. We must mandate certain actions within certain periods of time so we can judge them.

Thirdly, we must provide some type of remedies for those who are the victims of bad policies. It is incredible that today we talk in terms of full employment as a vague phrase. We must somehow provide for those individuals who are willing to work, who are able to work, who are told that the work ethic is a part of this nation. But what happens when you don't get work? They are told that the work ethic is a part of our culture, yet we expect people to take care of themselves so that we don't end up with them on welfare, with people who "cop out" by drawing unemployment insurance and eventually getting to the end of the line. We must give them the opportunity for a job. We have got to provide opportunities for our people.

What about the cost? We recognize that the expenditure of \$287 billion last fiscal year represents the cost of present policy. We recognize that the present cost of unemployment and the cost of welfare are certainly greater than the cost of putting people to work in productive jobs.

As to the political feasibility, it is clear that we have grave difficulty throughout the country. We have discussed this matter with chambers of commerce, business groups, and with labor groups. There has been, unfortunately, some degree of reluctance. I think that we are now in a position where we can say that the leadership--at least on the House side, and I would hope similarly on the Senate side--is determined to move ahead, and that before May of this year we hope to pass a bill, and we expect it to be a good one. Last Friday the AFL-CIO indicated, in a very strong policy statement, that they will throw their support behind specific legislation pending in the Congress. I believe we can have a bill that is not only necessary but one that is politically feasible. We should, first of all, determine what goals are morally right and desirable. Let us begin with the needs of our society, and then determine what they are going to cost. When we approach the problem from the viewpoint of what is morally and socially desirable, and what even under our Constitution is legislatively mandated, we can then enter into a discussion with those who call themselves economists and those who think they are economists as to what are the costs. Let us let them set about the business of developing an economy that can bring about those things that we deem to be desirable.

We should approach the problem, then, not from the viewpoint of whether we can afford something, but from what are our needs.

We didn't approach World War II that way. We certainly haven't approached other crises that way. We approached it from the viewpoint of what is necessary to be done as a civilized people. Then it seems to me that we can set about the job of making it economically sound.

CONYERS: Many people do not support the concept of full employment for many different reasons. First, this is a political question. That means there are some Congressmen who are supposed to be supporting this bill who would cut off their right arm rather than vote for it if the vote came up 30 minutes from now.

Secondly, I am embarrassed to say that the labor movement of which I am a product has still obviously to come up behind this legislation. We are hoping this will be resolved by whatever compromises are necessary.

We are not talking about big business fighting this idea. We are talking about other working people. We are talking about people who represent working people.

We are talking about an intransigent administration that is determined that this shall not come about. This translates fundamentally into a political question. 1976 is a political year.

There is no reason that I can fathom why full employment should not be the critical issue by which we test the Presidential aspirants. There is no logic that I can deduce why this should not be the main concern of the Democratic Party. There is no reason why we can't win with this issue.

To me, the importance of this meeting today is that you all help in terms of not only your intellectual contributions on this subject but your political ones as well. The problem remains that there are many people, most of those who are not working and are poor, who have given up on Conyers, Keyserling and everybody else in this room because they do not believe any of it is going to amount to a hill of beans.

These are the people who are not even participating in the political process because they have heard political gas for years from their friends.

To make full employment meaningful, it has to be translated into an affirmative political issue. This has to be translated into a movement even beyond a political issue. This is every bit as important as the Civil Rights Movement. As a matter of fact, it is a logical extension of that movement. It is every bit as important as the anti-war protests that drove one President from office and was the basis of nearly impeaching another. It is

every bit as important as the struggle of the labor movement that ran a course of 100 years in this country.

All of those great movements are combined presently into this bill, into this long overdue question. It can be resolved in a piece of legislation, H. R. 50.

WIRTZ: We meet here as a group of private citizens who are much complimented by an invitation from many Congressmen to come here and counsel them. We will take account of two considerations: one is the gravity of the unemployment situation in this country today, which is at the highest point in 35 years. Of equal concern is the fact that democracy's critical currency, namely, its dialogue, has been greatly depreciated and its essential capital, which is confidence, has been greatly depleted. We are going to be very Spartan here in what we say and in the way we say it. We realize that hyperbole and rhetoric are a glut on the market today.

We face another problem. We have a list of questions which we could in an academic, scholarly fashion follow on down the line and we could spend half our day trying to stick to the agenda. I have an alternative suggestion. Again in the sense of disciplining this meeting, it would seem to me to be helpful if we would go through this list of questions and accept the guiding principle that there is no point in saying anything here except insofar as

it can be translated into responsible action of one kind or another. I would think it advisable if we all try to think in terms of one or two or possibly three things which we could responsibly suggest be done if we were in a position to cast a vote of significance on that matter. When I was in a position of authority, I didn't know any of the answers. Now that neither authority nor responsibility any longer exists, those answers come very easily to me. If we can recognize that problem and try to put our thinking into the framework of the question, "Who does what next?" we will move along more profitably than otherwise.

In general, therefore, we will be following the agenda which has been suggested to us, but we will be trying to approach it always in consideration of the question of what ought to be done next.

I will attempt at the end of this morning's session and then at the end of the afternoon's session to summarize what it seems to me we have covered in the sessions. A record will be kept of this Conference. A transcript edited and made available to the participants and to others interested will be prepared by the Council for National Policy Planning.

One other preliminary suggestion: let's not waste time arguing about what we mean by "full employment." Perhaps there is an

argument about what it ought to be, but let's not get hung up by the word. In some of the material I have here there is a reference, which is good enough for me--and this will be the most autocratic thing the Chair does today, as far as I'm concerned--that full employment means about 3 percent unemployment, as long as you accept the present measurement of it, which I have trouble accepting. But that is about what it means. Our discussion will be clarified if we make it clear that we are talking about what full employment means to a labor person instead of to an economist.

"A FULL-EMPLOYMENT POLICY:  
AN EXAMINATION OF ITS IMPLICATIONS"

- I. The Goal of Full Employment
- II. Costs and Benefits
- III. Guaranteeing Jobs
- IV. Comments and News Items from the National Press

## I. THE GOAL OF FULL EMPLOYMENT

MADDEN: For thirty years, the Employment Act of 1946 has been the cornerstone of national economic and social policy. The Act assigns the Federal government responsibility for creating and maintaining the conditions under which people able, willing, and seeking to work can find useful employment, and it decrees that the Federal government should use "all its plans, functions and resources" to fulfill this responsibility.

Although the term "full employment" was deliberately deleted from the Act, the Employment Act in fact left "full" or "high employment" undefined. The primary goal of national economic policy was this undefined employment in the post-war United States.

The Act was intended to limit government intervention in the economy in the name of full employment. The Employment Act does not specify the means by which the Federal government will create and maintain the conditions of high employment. It does not and indeed was not intended to give the government carte blanche. The term "full employment" was deleted from the Act precisely because it seems to open the door to goal setting by the Federal government. Significantly, the Act obligates the government not to help those who are able and willing, but to those who are able and willing and seeking to work--thus limiting the government's

area of discretion to decide who shall be counted in the labor force and who, if not working, shall be counted as unemployed.

To be considered "unemployed" and hence the object of the government's concern under the Employment Act, the person must have tested the job market by actively seeking work. The government is precluded from defining certain people or categories of people as members of the labor force on the basis of their demographic characteristics or untested statements that they want to have a job or they want to work.

There are other less explicit limits. The Employment Act specifies "useful employment." Apparently, government creation of makeshift jobs for which there is no evidence of demand is not included. The Act states that the Federal government will carry out its responsibilities in ways consistent with "other essential considerations of national policy." It is generally agreed that some modicum of price stability is one consideration.

The Act directs the government to exercise its responsibilities in ways that "foster and promote free competitive enterprise and general welfare."

Such provisions may be vague and open to wide interpretations. However, they were intended to limit the extent to which the Federal

government in pursuit of full employment may intervene in the market economy or replace private-sector economic activity.

This is a summary of my answers to the questions in the first portion of the agenda. I would like to make one further comment. It is my personal view that we need a new approach to the whole question of unemployment as it relates to income-transfer and welfare programs. I think that the work of the Subcommittee on Fiscal Policy--which is led by Mrs. Martha Griffiths--is important. They are going to prepare a report called "Income Security for Americans: Recommendations of the Public Welfare Study." That is probably the most authoritative, meaningful and useful document that the Congress and Joint Economic Committee could examine in dealing with the question of the appropriate relationship between welfare and income-transfer programs on the one hand and the issue of full employment on the other.

VIETORISZ: I would like to refer to a prior Congressional Conference which took place in May on a very closely related topic, namely, Long-Term Economic Planning in a Free Society. The themes to be discussed here to some extent overlap those talked about at the prior Conference. The most important characteristic of that Conference was that the principal disagreements were not about answers to well-stated questions but rather about the proper questions to ask.

604

I think that there will be substantial disagreement here also about what questions we should ask. Congress can easily handle problems where they are well stated and where there are discussion and compromise about the possible answers, but Congress usually falters when there is a major difference about questions. These Congressional Conferences can make a tremendous contribution by clarifying questions.

There has been cross cutting between two kinds of conflicts regarding questions. The first conflict was between those who viewed the current crisis as an entirely short-term matter--in fact, one of the participants said that it was just normal for things to swing up and down and if we happen to be in a downswing, there is absolutely nothing unusual about it--and those who viewed the current crisis as a result of a long-term drift with regard to serious problems.

There was also an independent, second conflict, which I suggest was deeper. On one side of this conflict were people who defined the problem of long-term drift primarily in terms of social control, and the kinds of topics included here were lagging productivity, loss of control over technology, loss of control over social institutions and especially over allocation of social claims.

A very important topic here was the inability to mobilize

sufficient investment resources.

There were also concerns raised over delegitimation of the traditional social order. In sum, coordination and control were the leading issues on this side of the conflict.

On the other side of the conflict were the people who felt that the main issue with regard to long-term drift was the issue of social justice. The main theme stressed there concerned employment opportunities. Another theme was job conditions involving stability, intensity of work, accident and health problems, and dehumanization of workers on the job. Still other themes were poverty, including its urban manifestations; degradation of the environment for the benefit of the few; production priorities which served private interests rather than social needs; and a genuine deterioration of the quality of life.

I would suggest that the whole problem of full employment looks drastically different depending on whether you view it as a short-term or a long-term problem. It also looks different insofar as how you look at it--from the point of view of social control or the point of view of social justice.

I suggest three key questions where there will be disagreement as to how the questions are posed and how we ought to approach

full employment. First, to my mind full employment is a sham unless jobs are provided at living wages. In other words, full employment at substandard wages can become a device for beating unwilling workers into jobs that are not giving them the means for family support. There are millions of people today earning less than the Federal minimum wage. There are an enormous number of people who are earning less than the Bureau of Labor Statistics' lower-level family budget. The whole issue of a living wage in connection with full employment is going to be controversial even in terms of framing the question.

The second is the issue of subemployment, which Mr. Wirtz was the first to define and measure. My best estimate is that approximately one-third of all the manhours in the United States are being wasted as a result of unemployment and subemployment.

The third issue, which I'm sure will be controversial in the matter of asking the kind of questions we want to debate today, is the whole issue of enforcement. In the previous Congressional Conference, Senator Culver made the statement that it is easy for Congress to pass resolutions in favor of desirable objectives, but it is very much more difficult to get the kind of legislation that really enforces noble sentiments. I believe that in terms of enforcing full employment we are facing a very deep political issue. I believe we have to ask: Is the United States' public

willing to make full employment the first priority at the expense, for example, of large business interests, or is it a second priority which will be pursued to the extent that it will not conflict with more basic priorities having to do with the present structure of production and the present social order?

WIRTZ: In trying to develop a checklist of those things that we can perhaps put together in a summary of our discussion, let me ask this. Do I appropriately understand that you are suggesting a strong feeling on your part that there should be a larger planning element in the development of full-employment policy in this country?

VIETORISZ: Yes, I believe there must be.

WIRTZ: And I understand you secondly to make the point that the full employment can only be considered in connection with full employment at a living wage and your next point is related to that--namely, that subemployment at a less-than-living wage should not be acceptable?

VIETORISZ: Yes.

BERGMANN: When unemployment is high, we get a lot of excuses for the situation. I remember back in the 1960's, Appalachia was an

excuse, lack of training was another, and so on. Now women's presence in the labor force is part of the excuse. Unemployment is now so high that most people would have to agree that the crux of the unemployment problem is a lack of aggregate demand; that is, we do not have the demand for the goods and services which in turn would give us a sufficient demand for the labor of those people who want to work.

The means of increasing aggregate demand are very well known. The problem, as I see it, is that we not only have a desire for more employment, we also have a fear of inflation. There is also a new element which has been added by the problems of New York City -- an increased fear of debt and thus an increased fear of deficits. It is all very well for Senator Humphrey to look back, as he did, and say that we have had periods of less unemployment and less inflation. We all know that is true. But nevertheless, there is very real fear that if we took measures to increase aggregate demand -- whether through lowering taxes or raising government expenditures or public-service employment or what have you -- we would be encouraging inflation. To look back to some golden age when we had low unemployment and low inflation is not enough. We don't know how to get from here to there. That has to be admitted.

These fears of inflation and of associated increases of

debt and default are real factors in the situation. If we are going to make progress, we have to find means to lower unemployment while alleviating those fears. Therefore, the measures that we consider have to include things such as wage and price control, which of course have their penalties. We have to weigh the penalties of wage and price controls and all their attendant inefficiencies and increased bureaucracies, against the penalties we are suffering in terms of unemployment. In this connection, I'm very glad it was brought out here that unemployment is not only an economic problem but it is also a psychological and sociological problem.

So it seems to me that wage and price controls have to be part of our options. Secondly we may want to consider changes in fiscal policy through balanced moves in the budget. I don't mean balanced budgets, but I mean that if we want to spend more, we should consider the possibility of increasing taxes to some degree at the same time. President Ford has suggested both a \$28 billion tax decrease and a \$28 billion expenditure decrease. That is precisely the wrong medicine. If you are going to have a balanced move, we need precisely the opposite, because the \$28 billion tax decrease compensated by a \$28 billion expenditure cut will reduce aggregate demand.

We need to consider moves which raise aggregate demand and which will also reassure people that we are not going to start inflation raging again and that we are not going to let the deficit get out of hand. I ordinarily would not recommend a tax increase as part of a package for remedying unemployment, but I think that we may be in a situation today where we have to consider that kind of thing.

WIRTZ: May I put the question for consideration as we go along of whether it is the feeling of the economists here that there can be a balance between increasing aggregate demand in one way or another, which will get us to the level of whatever we want to take as a full-employment basis. Is that what you are saying? I take it that it is implicit in your suggestion that we can do these things and it is your view that it will depend on and demand the institution of wage and price controls? And may I interrupt again to ask, when you say "wage and price control" do you limit it to those two or broader controls such as interest-rate controls and all the other things?

BERGMANN: Well, I don't think this is the place to get down to details of that sort. What I am saying is that I am willing to trade off and accept some of the problems of controls in exchange for a better unemployment picture, if that is necessary.

WIRTZ: Then we can just say "controls"?

BERGMANN: Controls of some kind.

WIRTZ: So your point is that we must move on an aggregate-demand basis, and we must move to broad fiscal policy in order to increase aggregate demand. We can do that and obtain the goal that we have in mind if we are willing to pay the price that controls involve, correct? Your point also is that if we are willing to go on to a fiscal policy which does mean that if we are going to spend more, we are going to tax more, then we can beat the unemployment situation?

BERGMANN: Right, This is not necessarily the best policy in terms of alleviating unemployment, but it is a policy that will reassure people.

HARRISON: I think Barry Bluestone and I would agree that under the existing industrial system a full-employment program -- a program to expand demand both aggregately and selectively in order to increase the demands for labor -- would be very inflationary. I think it is dangerous, as Barbara stated. I think we would agree with that very strongly. Now I suggest we need a different industrial system.

It is not very useful to try to fight that battle at the level of more or less aggregate demand, in other words.

I think where we disagree--or disagree at least perhaps with regard to some of the things that have been suggested--is in the feeling that with aggregate unemployment now over 8 percent and with it apparently going to be for a long period of time much higher than it has been (and it is certainly higher than in the 60s), somehow the problem has switched back from industrial unemployment to an aggregate-demand problem. Now we are as interested as ever in the structural aspects of unemployment, particularly when one gets away from the official measure of unemployment and talks about subaggregate employment. So these remarks are really addressed to new legislative approaches and to thinking about what an economic-development planning program to change the industrial system might look like. I would like to comment on that in the three and one-half minutes I have.

Now in order to target newly created jobs to the places and people who need them most, which we take to be the real and the proper objective of our manpower planning, it is necessary to create enterprises and projects that use labor along with capital to produce goods and services. The supply of capital available for building such enterprises, for expanding the productive capacity of the economy in particular places, needs to be increased.

Eliminating the tax incentives on foreign investment, that is, elements of the Bank Holding Act of 1969, eliminating the DISC program, and so forth, seriously repealing many unproductive national and state business-tax incentives, and similar policies would be needed.

Tax policy tends to be far too separated from the concerns of the committees and experts who work on manpower.

Next, we need more savings.

Next, we need mechanisms for reallocating more of the capital that is available from the overdeveloped parts of the private sector to the public sector for reallocation to the undeveloped sectors or underdeveloped sectors of the economy. That is what we take it that economic planning is really all about. This would be used to finance the high-priority budget areas and as a fund for "fueling" those local jobs' councils, which are the heart of the delivery system and of the Equal Opportunity and Full Employment bill.

AFL-CIO's Secretary-Treasurer Lane Kirkland has proposed a national economic development bank which would be funded mainly by the requirement that all private banks--as a condition of retaining, or getting, Federal charters--subscribe to the develop-

02

ment bank. This is a concrete, nitty-gritty proposal for reallocating capital from the private to the public sector. Kirkland lists new enterprise development, emergency aid to ailing businesses and the guarantee of state and municipal bonds as top priorities for the national development bank. Other people, including our Congressman Michael Harrington, are currently working on similar models, are developing similar regional bills at the moment, and there are a number of other places that will soon be doing likewise.

If the private sector chronically underinvests in those parts of the economy where it disdains to make a "competitive profit"--or chooses to disinvest in an activity, or region, because there is more money to be made elsewhere, say, in Taiwan--then useful jobs are not being created and are actually being destroyed at home. The remedy is, in our opinion, a great increase in enterprise development funded by the Federal government, whether publicly owned, as in the case of municipal or county electric utilities, or organized as neighborhood-based cooperatives, or simply locally controlled private businesses, wherever they are needed.

One important potential "side effect" of a publicly financed but deliberately decentralized program to expand the number of enterprises in the American economy is the brake this might place on the power of "oligopolist" firms to use their market power to

raise, or otherwise maintain, high prices. We strongly believe that monopoly cannot be defeated by antitrust laws. It must be confronted directly, in the market place, by competition. That is indeed the mechanism many other capitalistic countries have tried to use to deal with some aspects of inflation. Thus, for example, Illinois Senator Adlai Stevenson's proposed Public Oil Corporation would directly compete with Exxon, therefore helping to reveal to the public the true cost of "mining" and processing petroleum.

We believe all the existing and contemplated bills that talk about economic planning or talk about economic planning to achieve full employment seem to us to be terribly naive in their politics.

I want to make one closing point. True planning and development require the ability to boost certain industries and interests at the expense of others. That is what you mean by "making priorities." If we make a commitment to mass transit--say, as a part of a local regional or national development scheme--this necessarily means expanding parts of the transportation system at the expense of other parts. There is no escaping this conclusion: namely, public planning requires actions that will unquestionably affect some private corporations by reallocating capital from those sectors whose outputs Congress believes to be excessive to those whose outputs it believes to be underdeveloped. In sum, we believe

29

that the creation of "full employment" requires a conscious attempt at economic development and the creation of new institutions for doing it. Those institutions are already contemplated in H.R. 50, particularly the notion of local councils that will design and develop new enterprises with capital and the power to create those new enterprises. And none of the existing legislation addresses that essential crux. Talking about expanding or contracting the budget is really talking about redistributing a certain amount of resources from one place to another. It really isn't talking about capital investment at all.

We suggest the need for increased savings, reallocation of capital from the private to the public sector, and encouragement of widespread development of new public and private but locally owned enterprises through the creation of development banks; and we suggest that these would be the main elements of the sort of program that would, as one of its consequences, increase the demand for labor.

WIRTZ: Thank you. We will add those to our list also. Let me try to paraphrase what you have said and, if I'm wrong, please correct me.

We should add to our list of suggested proposals enlarged enterprise development, preferably private, but to be supplemented

or complemented by public investment if that is necessary, and with a strong emphasis on its being done regionally. Correct?

HARRISON: The only word I would quarrel with is "preferably." I think realistically it would be substantially private.

WIRTZ: All right, you would put emphasis on private-enterprise development. Should we keep in mind the possible necessity of moving to public supplementation if necessary?

HARRISON: The only thing I would add is there is a great deal of interest by a number of people these days in trying to study the extent to which public enterprise--apart from filling investment gaps that aren't being filled--as something to contribute to an anti-inflation program. Now I think that is important too.

WIRTZ: But it is important to emphasize that you are thinking in terms of planned and direct investment and that you are emphasizing the local elements, correct?

HARRISON: Yes.

WERNICK: It seems to me we all know one of the major forces for full-employment policy is the Federal government, which has given priority to stopping inflation and seems to be quite willing to

keep this economy sluggish for a number of years with high unemployment to be sure that we solve the inflation problem. Now I don't see how we can really take action which is meaningful in terms of solving the unemployment problem until we have first discussed what can be done to change the present thinking of the Federal government. We have a problem of monetary policy right now. Our monetary policy is really a restrictive policy. It is also a policy that can be used; if you do try to increase aggregate demand through fiscal policy, as I say, it can be used to offset such policy. This was done in July of last year, for example, when the Federal Reserve lifted short-term interest rates just after a tax cut was put into effect. Now the result of that would seem to be that the economy slowed down appreciably from the kind of momentum that was given to it by the tax cut. So we do face a real problem, it seems to me, in relationship to the current administration's programs and the current administration's goals and priorities.

WIRTZ: Would you try to include in your suggestions, as a basis for further discussion, this question of independence of the Federal Reserve Board? Is it part of your suggestion that the Federal Reserve Board should, as a practical matter, be changed--that the status of the Board should be changed?

WERNICK: Well, that is part of the problem. I think in the short

run the real problem is to have the Federal Reserve Board--when it states its goals for growth of the money supply over a period of time--also to have it present to the Congress its goals in terms of employment and employment growth and prices and real growth in the economy. They should do that so we know what the money-supply growth means in terms of the goals we want to establish for the economy so that we can know whether it is consistent with Congressional goals or whether it is inconsistent.

## II. COSTS AND BENEFITS

SULLIVAN: I am not an alarmist, but I think that it is well that the Americans should realize that new seeds of insurrection are being sown in the cities of America, in the ghettos and to some extent in what we would call the economic barriers between economic groups. It is because of the pervasive poverty and persistent racial and economic deprivation and discrimination that I say this. I don't want to see America racked by confusions and disorders in the streets of this country again. In the next four years I feel if we don't deal significantly with this problem of unemployment and move towards a policy of full employment, we are going to see insurrections in the cities of this country that are going to make the riots of a few years ago look like little church meetings.

Now our inner cities look like bombed-out communities and bombed-out cities. In my involvement with the OIC and with the churches in our communities, I frequently visit the inner communities. Every day more persons are joining the idle and the unemployed and this includes veterans of Vietnam and Korea. They are joining the ranks of drug abuse and alcoholism. Harlems are being created in every large community in this country.

In some areas we talk about 10 percent unemployment and in

some of our communities it is as high as 30 percent and with youth it is as high as 40 percent. Now we believe that America has a lopsided policy. We are helping the poor of the world and neglecting the poor of America. We believe that the committed goal of this country for both the President and Congress must be a policy of full employment and to commit the resources to meet that goal. We don't believe that it can be handled by the government alone or by any one government agency alone. Because in our cities, which are the seat of the legislation and where the legislation has been guided, we all know that much of it is being used to fatten patronage pockets, and so funds that were allocated to assist the poor and train the poor are being used at the expense of the poor.

We believe, therefore, that community-based organizations must be utilized to the fullest extent possible in this country to work with the government and the private sector in dealing with the problem.

We think there are two ways this must be emphasized. One is by job creation in the area of services. I'm talking in terms of what I am calling micro-communities where we would enumerate the needs and have a significant and pragmatic program to move us towards the rehabilitation of our communities.

25

Let me say that in both the public and private sectors, special emphasis on rebuilding and rehabilitating the blighted areas of our inner cities, as stated in the Urban Commission Manpower Report--though I am not satisfied with much of what went into that report and their deliberations, and I say that as a member of those deliberations--is a prime necessity. Also what is needed is training for jobs that do now exist. As we know, one-half of the jobs that exist now won't exist 20 years from today.

Let me tell you about something we have done. We took 200 cities where we had OICs and on a particular Sunday we looked at the want ads. In those want ads on that particular Sunday, we came up with one-half million jobs representing only one out of four available in a community at that time. There are hundreds of thousands of jobs available. There are jobs in the health-service area, jobs in the medical-services area, and so forth. We do need job creation on a realistic basis in our communities. On the other hand, we also must have job training, otherwise we will be building a whole new population of welfare recipients in 20 years from now. But the two must go hand in hand. Our community-based units must work with government in these efforts.

DENNIS: BRAC's (Brotherhood of Rail and Airline Clerks) own response to the problem of employment has been to train disadvantaged people for clerical employment, particularly in the transportation industry, and then to assist these people in getting and retaining jobs. The Union has been able to accomplish this by contracting with the Federal government through the Job Corps and WIN programs and also, this year, with local governments who are prime sponsors under the federally funded CETA program (Comprehensive Employment and Training Act of 1973).

In 1971, BRAC opened its first centers in conjunction with Job Corps centers in Chicago and Los Angeles. Currently, BRAC operates eight centers in the following locations: Charleston, West Virginia; Cleveland, Ohio; Kansas City, Missouri; Los Angeles, California; Minneapolis, Minnesota; San Francisco, California; St. Louis, Missouri; and Tulsa, Oklahoma.

As of 31 October 1975, 352 students were currently in training and a total of 2,284 had received some degree of training since the program opened in 1971.

Students receive classroom instruction in business English and math, typing, keypunch, railroading and unionism. Trainees regularly use railroad forms, manuals and terminology. Regular railroad employees are periodically used on a consultant basis to

47

give intensive, specific instruction; and trainees take field trips to railroad yards and offices.

Also, beginning in October, BRAC began training women for jobs in the railroad industry which traditionally have not been considered appropriate for females. These women receive training intended to assist them in preparing to apply for apprenticeship openings and entry-level laboring positions. The instruction includes knowledge and use of tools, appropriate math and English, railroad procedures and safety rules.

After training disadvantaged students, BRAC makes an intensive effort to locate job openings for them. So far, 41 transportation employers have participated in the BRAC program. In addition, because of the slowdown in employment during the past year, relationships have been established with several employers outside the transportation industry in order to increase the number of potential openings.

Over 40% of the trainees have remained in the program long enough to acquire skills which qualified them for placement. Virtually all of the students who acquired these skills were placed. Specifically, as of 31 October 1975, 765 trainees had been placed, 375 of these in the transportation industry itself.

In addition to meeting the government's criteria as "disadvantaged," 77% of these placed trainees have been of minority races and 85% female.

A study of the contract year, 16 February 1974 through 15 February 1975, indicated that trainees placed in the transportation industry started at an average rate of \$38.54 per day; those placed outside the industry started at an average rate of \$22.76 per day. Currently, the starting wage in the railroad industry itself is \$45 - \$50 per day.

The BRAC program is operated on an open-entry/open-exit basis. That is, trainees enter as openings occur and leave when they have acquired skills sufficient to qualify for an available job. During the 1974-75 contract year, trainees who were placed had been in the program an average of 23.7 weeks, or about 5-1/2 months.

In addition to training and placement, BRAC stresses job retention after placement. More than 80% of BRAC's trainees who have been placed in the transportation industry are still on the job six months after being placed. This is particularly significant when compared with available industry statistics. In the railroad industry, for example, only about 50% of all new employees are still on the job after two months.

BARRETT: We have been hearing a lot of long-range ideas about what to do with unemployment. I would like to get back to an issue that was raised by Professor Bergman at the very outset of this discussion which really has to do with more short-range considerations. I don't think if you just look at the course of economic activity over the past year and a half that anyone sitting in this room could say that all of the unemployment you are experiencing now is structural. Some of it has to be a result of the recession. Assuming most people would agree with that, let me talk a little about the recession and unemployment.

Professor Bergman also talked about excuses that we made for unemployment and she named a couple of them. One had to do with the demographic characteristics in the labor force and another with Appalachia and lack of training. I submit that the two most widely used excuses for unemployment today are inflation and deficits, which are things that Professor Bergman argued we had to trade off against high unemployment.

I am not sure that from an economic point of view there is any economic basis for inflation other than higher fuel prices. But that is not the kind of inflation that is really bothering people when they talk about returning to full employment through some sort of monetary and fiscal policy.

We all know that the reason we are having huge deficits is because we have had high unemployment, so I will leave that aside and talk for a moment just about inflation. We have 8.5 or 8.3 percent of our labor force unemployed. We have very low rates of capacity utilization in industry. There isn't any indication that I know of that industries are experiencing severe capacity bottleneck right now, but we may in fact experience inflation if people listen to Mr. Greenspan and Mr. Simon about inflationary expectations. Firms do seem to be raising prices now more than what one would expect, given market supply and demand conditions. This information I get from the President's Council on Wage and Price Stability. They have really been unable to determine the economic basis for some of the recent steel-price increases. Maybe it is that firms are anticipating price controls.

But if in fact there is no real economic basis for inflation when we are experiencing very high rates of unemployment and low rates of capacity utilization, then I think Professor Bergman is right in saying that wage and price controls might be effective.

My main point is that to use inflation as an excuse for an unacceptably high rate of unemployment in this country is very much akin to using Appalachia as an excuse. Until someone can really show that there is an underlying economic basis for inflation, as opposed to some psychological basis for inflation, then I

51

think that this is somehow a straw man or red herring. One thing I have to disagree with, however, as to Professor Bergman's presentation was her suggestion that in order to get a balanced budget a tax increase is necessary as well as an increase in government spending. I disagree with that because I think that there is one concern that people have right now other than inflation and deficits, and that is the concern over the growing public sector. Whether right or wrong, I think there is wide-ranging opinion in this country on all sides of the political spectrum that the government is somehow too big. Maybe this is a legacy left from Watergate. It seems to me that the idea of a matched tax cut and expenditure cut is probably very unwise, given the state of the economy. I would go in the direction of a much larger tax cut without offsetting cuts in expenditure rather than trying to talk about a tax increase.

WIRTZ: In terms of what should we do next, Dr. Barrett, is your last suggestion one we should add to our list; that is, a tax cut?

BARRETT: I am saying that a tax increase would be very unwise but that people in this country are concerned about high taxes. Certainly a nonextension of the Tax Reduction Act of 1975 would be terribly unwise in terms of the impact on the economy. I'm saying that if in fact it is decided that the economy could use more macro-economic fiscal stimulus, if it is decided that inflation

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is some sort of an ogre that is really more and more apparent than real, then I would say that a tax cut that stimulates the economy would probably be more acceptable than a tax increase coupled with larger government spending.

GILLIGAN: While economists and others talk about the impact upon our economy and upon social problems such as unemployment, while they talk about the impact of spending and taxing policies of the Federal government, they seem to ignore the fact that taxing and spending policies of state and local governments, taken in the aggregate, are almost the equal of the Federal government. It seems strange to me that people who define these policies and set these goals and formulate solutions to problems in Washington fail to understand that what happens at the Federal level must be coupled with an understanding of what is going on at the state and local levels. State and local governments quite often are unable to help themselves and are forced into policies that directly contradict and offset Federal policies.

For instance, the Congress votes a tax decrease in an effort to increase spending in the private sector and increase demand and so forth, but the shortfall in state and local government tax revenues due to the recession--revenues which in many cases already had been budgeted for just a year or two in advance--runs anywhere from \$8 billion to \$12 billion. We therefore have

53

Governor Carey and others proposing tax increases all over the country to try to make up for that shortfall on revenues, thus effectively cancelling out some of the impact of the Federal government tax cut. Beyond that, we have local governments and state governments laying off public employees by the thousands and cancelling public-works projects of every size, shape and description imaginable. You would begin to believe after a while that we have two governments running this country and they are somehow engaged--if not in outright war--in a tug of war at least. It seems to me that in our future deliberations about the formulation of governmental policy, especially as it impacts upon the economy, that you have to spend a lot more time talking about how in a cooperative fashion the Federal, state, and local governments can work together.

I dare say that if you ask the governors and the mayors of this country how many people they can put to work in the next few months, if they had the funds available, you could have the fastest cut into the unemployment rolls available to you of any other devices to be used anywhere in the country. Just give them the money and they will put people to work. There is so much work to be done that you could put every man, woman and child at it for years to come and you would still never get it all done. The point is that up to now we haven't wanted to spend the money necessary to get the work done by putting people to work.

WIRTZ: Have we got the money?

GILLIGAN: Yes, we could certainly get it. I would go back to what Dr. Bergman said: We are talking about trying to create employment and one way to do it is to cut taxes and hopefully create demand. Now that demand may send stock prices up and may go under mattresses and a lot of other places. You could do that or you could spend money to put people to work and get them on payrolls and make them taxpayers. We would have available the revenue devices necessary to put people to work in the public sector very rapidly if we decide we want to do it.

WIRTZ: Is this in effect an expansion of CETA (Comprehensive Employment Training Act of 1970)?

GILLIGAN: Well, it could be partly that. There are a whole range of devices available to us. I would say that among things that get in our way are some of the present regulations on the use of welfare money. That has interfered with both mayors and governors in dealing more directly with this problem than they have in the past. We need some more flexibility and some people in Congress to listen a little more carefully to mayors and governors when they talk on this subject.

ALPEROVITZ: I would like to give a sense of some of the suggestions presented to the Democratic National Issues Convention at Louisville a couple of weeks ago. Some of the arguments we made apply directly to what I sense is a division here, a broad division in this Conference.

The basic realization critical to the unemployment question is that there is a growing belief that traditional methods of dealing with these problems simply won't wash. On the other hand, we are entering what I would like to call a new economic era in which very different new structural proposals for restructuring the economy itself are being offered and are slowly gaining understanding and legitimacy. For instance, today we had a discussion of planning which amazingly has only been discussed once, and that is a central issue in my view and will become the key issue over time. I'm not just speaking of planning on jobs and unemployment and not just planning as to whether jobs can be targeted into specific localities but also as to planning on resource issues, which has only been touched on here. I think that simply boosting up the growth rate in the old theoretical fashion, without planning on resources, will just begin to gobble up resources that are no longer there.

Another issue deals with what Leon Sullivan talked about. He called it microtization or small-scale community-based economic

institutions. That tied in with what Mr. Harrison had to say, namely, restructuring to have local community control and semi-public, cooperative neighborhood development corporations. He also mentioned municipal-ownership schemes which give a much more direct public role at a small-scale level. That is a new structural direction which has got to be recognized in the coming evolution.

A third idea deals with something that was barely touched on. That is public enterprise. Thirty-five United States Senators sponsored the Stevenson-Magnusson bill for a public energy corporation. Such a subject, which is common throughout the world but has been neglected in this country, can now be talked about. Indeed, it must be talked about. Recent polls show that well over half the public favor public ownership and even nationalization of natural resources in this country. A majority of the people in the latest poll's have that position. It is necessary to take the schemes seriously in terms of resources, in terms of the rail industry that should extend well beyond the Northeast Corridor, in terms of overall transportation policy, and alternately I think in terms of targeting jobs.

Let me give just a couple of illustrations of what I think is the new direction that has to be considered. In my view we are going into worse economic times and the questions of violence,

of political polarization, are very great dangers and are not going to be swept away as in some of the programs of the 60s, which some of us helped design. In that context, there is already solid evidence among the leading pollsters that the public will no longer accept simple political solutions and in fact demand bold innovation.

There is no longer a way of dealing with a city such as New York or many other cities without recognizing the absence--for at least two decades and certainly longer--of a serious regional development policy to stop the inflow of jobless into New York and to provide steady jobs for those people already there. That absence is the root of the problem of big-city unemployment.

New York lost 500,000 productive jobs in the last two decades. The estimate is that this loss represents \$1 billion and one-half the equivalent of tax revenues in New York or 15 percent of its budget. The estimate is that this loss added one billion dollars in welfare costs.

When you talk about New York, you may talk only about mismanagement, which undoubtedly is there; or you talk only about wages in the public sector, which is a part of all of this; but you overlook the mismanagement of the economy at the truly important level of our capacity to guarantee jobs in specific localities.

Thus you have missed the basic point.

My view is that the issue of using indeed all our tools--including public enterprise as most European countries are doing, as the British are considering, as the Italians have done for a long period, and as the Swedes and French have done--to place and hold people in specific communities is at the root of many of the problems in our big cities. We can talk about food, land, and housing policy and allocation of capital to deal with stabilizing prices and housing. That gets us into land ownership of a public nature at the local and national level. That is common throughout Europe and was recommended by the American Institute of Architects and by people such as former Secretary Wood of HUD. Those innovations--which involve much more direct (but to a large degree local) control of economic issues that have not been at the heart of our discussions in the last decade--are ripening. We can perhaps discuss those today.

By way of summarizing, we continue to talk about refinements of tax policy, about expansions of CETA, and those programs are necessary; but over the coming period, as we fail--and I think we will continue to fail--I think then there will be a need to recognize the need for restructuring, for taking seriously a new direction to the economy itself rather than merely compiling a list of reforms that might or might not be useful additions to the reforms of the 1960s.

HILL: I believe at the conclusion of this morning's session it was indicated there seemed to have been some focus, greater focus on structural employment as a major factor. I did not quite get that from the deliberations of the other participants, but let me just say we completely disassociate ourselves from the assumption that the primary factor for the problem which this nation is facing is structural employment, if by that we mean the deficiencies of individual workers, whether black or white. Rather it points to the deficiencies of some external and unsensitive policies on the part of the government that are primarily responsible for the condition we face today.

In addition, we feel that this is not confined to the inner-city areas, but largely applies across this nation, which, frankly, is in some sort of a depression. There seems to be some kind of a reluctance to define it as a depression. The only depression we have ever had was in 1930, and everything else can be as severe and yet not be called a depression. In the inner-city areas it is definitely a depression.

We figure that it is not 1.5 millions blacks but that there are three million blacks out of work, taking into consideration hidden unemployment.

Also, with respect to white workers, it is about double the

official rates. During the depression we had 25 percent unemployment. We estimate 20 percent unemployment among blacks. This is certainly a depression by those past standards.

We think that you have to have more of an accurate measure of the definition of unemployment, to include people who are out of work who are unable to actively seek work; and there are many reasons for not actively seeking work. They have not found it or they can't afford to find work.

We often forget that it is expensive to look for work. You need carfare to travel from one place to another. You need a telephone. Money for making phone calls. There is expense involved in looking for work. If you are out of work, you have less likelihood of having that money.

We speak of unemployment insurance, but unemployment insurance only covers half of all those people who are unemployed. Half the workers, whether they are white or black, in this country are not eligible for unemployment insurance.

So, while you have to talk about meeting those needs, also, the assumption of unemployment insurance is that a person can live on half of what he made before, and if he can in fact do that, in the times of the highest rates of inflation, I think we are talking

about some miracle-workers.

In other words, these cushions we say exist are not adequate cushions.

Another point is that public employment is not going to those groups for whom it is supposed to be earmarked. What has happened is the local governments have had to use those slots for those government workers who have had to be laid off.

So, what we are finding is those who have been chronically unemployed are still chronically unemployed. So that again, when we speak of the kinds of job efforts we have, they are still not reaching those segments of the population that are greatest and hardest hit.

Another reason we are not hitting these areas is because there seems to be some reluctance to more accurately develop the measures of unemployment, whether official or unofficial, in local areas.

We do not have unemployment rates for local localities, and even though with the expansion of the current population survey many people ask questions in terms of its applicability to local governments, most people across the country do not have adequate

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measured unemployment broken down by race.

It is interesting that right after the 1970 census we found in employment surveys conducted in poverty areas throughout this country that we could identify certain barriers to employment throughout this nation. These surveys should be repeated.

At the present time you cannot even get unemployment rates by race for those who are part of the census program for 1974.

Finally, when we get into the debate about inflation or unemployment--Which is the number-one problem?--we know what the number-one problem is. It is lack of jobs. No matter how much you might reduce the rate of inflation, if you don't have money you can't buy anything, regardless of how cheap it is.

So, what we see is the primary objective, a primary concern. Most people want to work. They want jobs and not to be on the public dole.

BUMPERS: I have been doing a little research in this area even though I am not on the Joint Economic Committee. I have done this to try to determine whether or not from some purely fiscal standpoints we aren't wasting money on unemployment-compensation benefits and on the welfare load that comes with unemployment, and so on. The Library of Congress has told us, for example, that for each 1 percent unemployment in this country we spend approximately \$2 billion annually.

We spend \$2 billion in unemployment-compensation benefits for both Federal and state benefits. In addition to that, we spend approximately \$2.6 billion in increased welfare payments, food stamps, and everything else that goes with unemployment. Also indicated are ripple effects, which involve the loss of income taxes, loss of social-security payments to the trust fund and loss in GNP. These additional losses represent roughly \$16 billion.

Last year I tried to eliminate from the tax bill the \$8 billion tax refund, which gave people in the maximum bracket a \$220 refund and in the minimum a \$100 refund. Our calculations indicated that the \$8 billion, were it spent in another way, would generate 125,000 to 150,000 jobs: you could have hired in public service 100,000 people at \$10,000 a year. So you would have generated not only a significant number of jobs but additional revenues back into the treasury in the form of income taxes and social

security payments as well.

My point is that 1 percent unemployment in this country represents roughly 950,000 people out of work. And if that is true, and if the loss to the United States in pure dollars in the form of benefit payments runs anywhere close to the figures the Library of Congress has indicated, then obviously it is costing us a great deal more to allow unemployment to continue than it would be to hire these people in, let us say, public-service work.

Senator Humphrey made a very interesting point about the \$8.4 billion reappropriated last week for the CONRAIL system. That was an \$8.4 billion appropriation made in a vacuum because it was not related to anything else in the country. It was not related to public-service work, for example, which could be utilized in the rehabilitation of the railbeds. It was not related to transportation problems in any part of the country other than the Northeast; and finally, I might say I voted against it not because I opposed CONRAIL but simply because we received the Committee reports about three hours before we were asked to vote on it. I just don't like to vote on anything I don't have any information about and that requires time to study.

It is unacceptable to have unemployment at the current levels. The economic policies of this nation are disastrous. Any time you

05

have people who want to work and can't find it in a country as affluent as this, then the economic policies are seriously amiss.

WIRTZ: I suggest we make it a matter of our discussion here that we see what we can do with the arithmetic that has been suggested. We share with you the question of what the true cost figures are for unemployment. If we could find that out, if we could sharpen up the figures in a responsible way as to the present costs and losses from unemployment, we would have done the country a very good service. If I follow your arithmetic correctly, you have suggested that there is currently a cost bill of about \$40 billion a year by including \$2 billion for each 1 percent of unemployment; that is, \$2.6 billion in welfare, food stamps, and so forth. That would come out to about \$40 billion as the cost figure. You have also suggested a \$16 billion loss figure.

BUMPERS: That is for each 1 percent unemployment also.

WIRTZ: I multiply by 8 to give us just a starting point. I notice you were very careful in your statements, as indeed we all have to be. These figures are not clearly available as yet. If we could refine such figures, then we could responsibly say to the public of this country what unemployment is costing and what the losses are.

### III. GUARANTEEING JOBS

OLESEN: I am a member of Folketing, which is our parliament in Denmark. Our country is now fighting the highest unemployment since the last world war. What I heard today suggests many parallels between your country and mine on the subject of unemployment.

WIRTZ: There has been a question from the audience that actually concerns the Swedish experience, but Denmark is close to Sweden. The question is: How valuable can comparisons be between the United States and Sweden--in this case Denmark--in terms of unemployment? The question points out the difference in the size of the two countries and what is involved therein. There is another question: could you elaborate on Sweden's performance--and, of course, Denmark's performance--of orienting all tax-reform policy toward the goal of keeping unemployment low?

OLESEN: The situation is different in the two countries. Denmark is the Scandinavian country with the highest percentage of unemployment. The latest figure was 12.2 percent, which compared with your way of stating unemployment figures would be 6 to 7 percent.

WIRTZ: Twelve percent in Denmark equates with 6 percent here?

OLESEN: Right.

WIRTZ: Because you do not exclude certain people as part of the labor force when they are seeking jobs?

OLESEN: Yes, so Denmark is different from Sweden and the United States. While unemployment in the United States strikes its most severe blow among socially weak groups--not the least the poorly educated and those in big cities--it tends in Denmark to be more evenly distributed among individual groups. In the United States, great emphasis is placed upon avoiding increased inflation.

In my country we give highest priority to full employment, which is the goal which must be pursued with regard to inflation as well as to the balance of payments. We do that because our country has the highest per capita performance rate in the world.

We know that for each one-percent increase of the United States GNP, the effect will be only .1 percent in the biggest European countries where it is felt most. Consequently, the effect would be even smaller in a country such as Denmark. Now this says something essential about our prospects for 1976 and 1977 as well.

Among the problems shared mutually by the United States and Europe, I would like to mention the new generations of young people who will enter the labor market during the coming years, and

the growing number of women who will join the labor force due to increased equality. Although the figures differ between countries, on the whole they will have the unfortunate effect of aggravating the unemployment problem.

Further, we must expect continued technological development, which will not only diminish the number of jobs but also increasingly threaten the educated groups who have traditionally been the most secure in terms of unemployment.

Thirdly, the obvious, immediate task before us is to accelerate the economic goal. In the long run we do, however, face a problem of resources which can only be seen in connection with the Third World's demand for increased industrialization and the population explosion in the world--which in itself could foreshadow any other problem.

Many thoughts on this subject here in the United States coincide with the debate in my country, particularly the conviction that our goal must be everyone's having a right to work. To achieve that goal requires certain conditions; I would like to mention briefly the most important.

For every country there must be planning based on the total available resources. This is very important and must be combined

with the necessary controls. Such a plan should not just be worked out by the political leadership but should also engage consumer groups and labor markets.

The distribution of the total number of jobs should encompass a gradual but considerable reduction of working hours. Better opportunities for early retirement should also be opened up without being mandatory.

In order to stimulate the necessary mobility on the labor market and to support socially weak groups, education should play a far greater role. Young people should not have to complete an education without being assured of either a job or further training.

We must, however, face the fact that an increased share of the labor force must be transferred to the service sector as well as the private sector. In Denmark a broad debate is currently going on in the governing party to which I belong, regarding a new program of principles. In the draft program we have pointed to the necessity of thinking less in terms of quantity and more in terms of quality. This to me appears to be a pressing requirement for any Western industrial society.

There are imminent tasks within the private sector. All countries have construction plans that could offer jobs and

resources and result in better services to the citizens. We need more kindergartens, for instance; we need more teachers in order to have smaller classes. There is a need for care and training of the handicapped. There are many opportunities to improve life in our cities; these are only a few examples of our needs.

Such suggestions obviously are not unrelated to economic problems. They require sufficient economic growth but by an amount which we realistically must expect in the long run to be much smaller than in the 1960s. Consequently, it will be necessary to create tools for improved distribution of the total production resources.

Finally, one could also weigh unemployment's expense to society--as well as the cash compensation and social consequences--against the cost of creating the necessary jobs.

Let me say in conclusion that the United States and Denmark, as well as other Western countries, are rich nations who need not necessarily accept unemployment. Unemployment is created by men; it is not a function of nature. Therefore, it is entirely up to political know-how to solve this problem.

WIRTZ: You mentioned the inevitability of a larger movement from what we call production jobs to service jobs. I would like to

inquire about that. Do you know the present distribution of production and service jobs in Denmark?

OLESEN: I don't have those percentages. I just know that in comparison with the United States a smaller proportion in Denmark is working in the service sector. The picture in the United States is two-thirds, yes?

WIRTZ: We may well be at two-thirds by 1980. You are probably about 50-50 now?

OLESEN: In Denmark the smaller amount--figuring it the same way--would be approximately one-half.

HENLE: In the third quarter of 1975, there were 7.8 million people reported as unemployed. If we were to get that group of unemployed down to below 5 percent, somewhere between four and a half and five percent, taken as a convenient target, you would have to find jobs for 3.3 million people.

Of those, close to two million would be men, 21 and over, about a million would be adult women, and about 500,000 would be teenagers. That would give you roughly something like 4.8 percent unemployment.

I put that forward to create some boundaries in terms of the discussion of the job that has to be done. You can't by government fiat suddenly create 3.3 million jobs for work to be undertaken by state, local or Federal administrations. You would not have the time to do it. You could not plan the work that has to be done in this short period of time.

There has to be a consideration of private industry, as well as public. In drawing up a program for job creation, I would like to call attention to the group of individuals I consider most in need of a job: the roughly three-quarters of a million unemployed heads of households who at the present time have been out of work for six months or longer. This might be the group to which a particular public policy should be aimed.

GINSBURG: I would like to take issue with the statement made by Dr. Henle about the inability to create three million jobs in a short period of time. I would suggest from the historical experience in the 1930s that more than three million jobs were created within a few months' period under the CWA (Civil Works Administration) that reached into every single county in the United States.

At that time, the labor force was much smaller and jobs created represented a much larger proportion of the total working-age population. To assert that at the present time the country cannot do at least the equivalent, working with a much smaller proportion of the work force, is a political statement.

If the country had the will and the commitment, as Mr. Gilligan said, the work could be found. To what extent does the inability to create jobs reflect a social judgment?

In New York City, you have to look very far to find any major parks or public playgrounds or facilities that were created since the days of the WPA.

SPRING: With an unemployment rate of 20 or 25 percent of the work force, and with well over 10 million unemployed, Harry Hopkins created a million jobs in the winter of '33 and '34 for the total CWA program.

GINSBURG: I would add to Mr. Spring's analysis that the reason the CWA was under a cloud was not because it could not create jobs but precisely because the jobs were created and the jobs were at prevailing wages, which wasn't true of the later WPA. It was the actual success of the CWA program that brought political pressures on Roosevelt to drop this program.

WIRTZ: Can we come to better grips with this question? Are you talking about public employment and public contracts?

GINSBURG: I am just talking about the CWA, or government job creation. The assertion that we cannot have three million jobs within a short period of time didn't specify the time period. I would say we could do it through any number of programs, but I would strongly suggest the need exists for millions of government-created jobs irrespective of what happens in the private sector of the economy because the needs are there. Right now the services are being cut out in all the major cities. It is not because the need doesn't exist, but because as Governor Gilligan stated, the funds are not forthcoming.

WIRTZ: How much funds are we talking about?

GINSBURG: For three million government jobs--

WIRTZ: \$30 billion is your figure, isn't it?

GINSBURG: Yes, well, it is a question of funding and political will. On the questions of costs which have come up, I think there is a good deal of shortsightedness in considering only the immediate costs of unemployment. One has to assess the long-term costs of unemployment which stem from the social cause of unemployment. There has been mention here of the effect on unemployment of alcoholism. There certainly have been studies by Dr. Brenner of Johns Hopkins on increases in mortality. We know that there have been studies of mental illness, physical damage, family disintegration, and of other costs arising out of unemployment.

Now, some of these costs don't show up for a long time. One must recognize also that sometimes the precipitation of crises through unemployment can create costs which society cannot afford to pay. In other words, once a family disintegrates through lack of a job or through very bad job conditions, the welfare costs may be with us for ten or more years.

In measuring costs--aside from the fact there is a moral issue involved--I think people tend to neglect the long-term social cost and some of the things unemployment does to people that are not reversible and have long-term price tags that must be considered in the analysis of cost.

WIRTZ: Mr. Henle, do you have any further comment on this?

HENLE: I would be happy to be proved wrong on the 3.3 million jobs. In any case, the point I was trying to make is that whatever program we have, whatever size, whatever the scope, it seems to me its target, its initial target should be the employment of the group I mentioned: heads of households who have been out of work for a long period of time.

MCPHERSON: I would suggest we must achieve some kind of reduction in the unemployment rate moving to full employment defined at three percent with a guarantee of the right of anyone who wants to work to have the opportunity to work.

I think we do have a Federal System of government and that Federal System can respond. I think it has to respond. I speak as one charged with program administration, whether or not that program is originated in the U.S. Congress or wherever else it might come from, though most of them are in the Federal sector, the public sector.

I face possibilities of approximately 3,000 people walking from the public-employment program back to the unemployment lines-- as of June 30 of the coming year. These people are in jobs that have been created. These are public jobs. In terms of my one

jurisdiction, I think you can take the case of a ten-percent unemployment area and what we have been able to do with the public-jobs program in that area applied throughout the nation to get some idea. We will find that some 310,000 or 320,000 people will be facing unemployment as Title 6 funding expires next June 30.

Legislation is needed. The funding is still there, but it is expiring. We certainly need economic planning. We need national or Federal economic planning that includes fiscal, monetary incomes, manpower, employment, and whatever else may be needed.

I submit to you that we are not going to accomplish an economic plan or an economic system from that plan to solve the current unemployment problem. That is a long-range approach.

You are talking about basic institutional reform in the system, all aspects of the system. I will support that kind of effort if at the same time there is a parallel effort, and that is, what we do right now in the next year. The public-jobs money in this country is now obligated. I can do nothing about an increase in unemployment in this particular time without additional public-jobs or job-creation funds.

The present administration's allocation of public resources

under CETA from other sources in this fiscal year are approximately \$20 billion. I think all these figures should be checked, especially those given from memory rather than from prepared statements.

Somewhere \$20 billion has been appropriated, will be appropriated and utilized in loans. Contrast that to the public-jobs money--at least one piece of legislation that I am familiar with--and that comes to \$2 million.

I suggest we have some priority considerations there. We need immediate and short-range programs. The Congressional Budget Office indicates that the least inflationary, most immediate thing we can do, as an anti-recession tactic at this point, is to create public jobs.

In the short run, what are we going to do about 8.3 or 8.6 percent when that turns into seven or eight million people unemployed? The problem is particularly acute in the urban areas of this country. I suggest to you that we have a depression on our hands right now, and intellectual debate isn't going to solve it.

WIRTZ: Do you care to come to grips with the question of what a proper range is for a public-service employment proposal to the Congress?

VIETORISZ: I believe that full employment is technically achievable, but I have serious doubts whether it is politically achievable. I would like to read a statement by Jerry Wurf, President of the American Federation of State, County, and Municipal Workers, which is from the earlier conference and which raises the political aspect of full employment:

"What troubles me most about the present situation is the fact that the labor movement in this country is different from any other in the Free World. Ours is one that identifies with capitalism, with the social and economic system, yet finds itself in a class struggle that should characterize a Marxist-oriented or similar movement opposed to the existing system. The hostility, unconcern and unreasonableness forthcoming from the powerful business and financial communities is something I fail to understand. In this way, one day they may well succeed in changing the present mission of the American labor movement, which is to support the well-being of the existing system."

I think this is a very significant statement because in effect it says the U.S. labor movement is locked into supporting the private business system, and yet this system kicks the labor movement in the teeth. In other words, labor is locked into a position of sham harmony, but business knows better and practices the class struggle. I would say that the issue of full employment

politically is a problem of class and will not be resolved by compromise.

I think that Western European or Northern European ideas of planning how full employment can come about are feasible here. But you have to remember that in Europe they were feasible on the condition that for two generations there had been strong socialist-oriented labor movements which were able to pose a credible threat to the foundations of the system. Out of this threat they were able to negotiate a position which is an intermediate position.

So, in effect, the American labor movement, by committing itself unequivocally to supporting the system, has no negotiating strength which it can use to establish politically the kinds of conditions that are necessary for full employment.

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SHARAR: Voluntary nonprofit agencies have a strong record for well over a century of helping people cope with unemployment. They are an essential part of the private sector and epitomize the American spirit of helping people to help themselves. Located in neighborhoods where unemployment rates often run several times greater than the national average, they are known by the people and in turn know the people on a very real basis. Because voluntary agencies are rooted in the community and are deeply involved in all the major aspects of community improvement, they are in an excellent position to operate publicly funded employment programs.

Currently voluntary agencies throughout the country are playing only a modest role in public-employment programs, not for lack of interest or of capacity to do a major job, but rather due to complications in the process by which the government put this program into operation. Now voluntary nonprofit community agencies such as the YMCA want to play a much more significant role in helping persons in their localities who are on the brink of disaster because of long-term unemployment and the termination of benefits. Voluntary nonprofit agencies can effectively create, supervise, and manage up to 25% of the job slots made available in high unemployment areas. We urge a major expansion of publicly funded employment programs under the direction of voluntary nonprofit agencies.

KAUFMAN: I would like to make a few points to show why Congress has been reluctant to confront squarely the issue of full employment and why this reluctance is likely to continue.

Fiscal and monetary policy by itself cannot solve the present unemployment problem. Anyone who has looked at the present situation of high unemployment and the forecasts and projections for the next 5 years knows this. Model simulations demonstrate that it is not possible to bring the nation anywhere near full employment by 1981 through changes in levels of government spending, taxes or money supply. To attain full employment there must be a jobs program in addition to intelligent fiscal and monetary policy. A full-employment program must include a large public service employment component. There are other things the government can do to increase employment, but no program for full employment will succeed in the next 5 years unless the government creates a lot of jobs, and here is where we come up against several legislative hangups.

Many Senators and Congressmen react against the idea of a large public service employment program--it's expensive, it costs money. It is true that you have to spend money for anything, but when you think about increasing the Federal budget in order to support public-service employment, you are violating all the conventional wisdom which now has convinced great masses of people

(and apparently the media) of the evils of big government and the need to trim back the bureaucracy.

There is no way of reducing government and trimming back bureaucracy at the same time you are putting together a large public service employment program. Many people are refusing to face up to this dilemma and the way they are doing it is by ignoring the need for a public service employment component to a full-employment program and simply not supporting it.

In addition, the consequences of a large public service employment component are various forms of government intervention in the private sector. This, too, raises a very serious dilemma for legislators. The private sector does not like it. The large corporations work against it. Congressmen may oppose public-service jobs for that reason alone.

I would merely suggest that if the people attending this Conference support the idea that a large public-service component is essential to achieve full employment, they are going to have to convince the legislative branch of the need for translating that into the law.

SLATER: One of the documents contained in your folder is a report in Chapter 3 which gives a description of the Federally funded, locally initiated emergency works projects program which the Joint Economic Committee has recommended at approximately \$1.5 billion for next year, based on the recognition of what is practical in the political sense.

If you talk about 3 million jobs, the net cost is something under \$10 billion. That is not to allow for the long-run savings in terms of economic efficiencies and so forth. There is a direct, measurable savings to the Federal budget within the year.

WIRTZ: Should a full-employment policy focus solely on the employment of human resources? What about the full employment of ownership of nonhuman resources with the income accruing through a capital-owning public, that is, wealth creation instead of job creation?

It is a thought that is going to be hard to fit into this discussion. Instead of inviting specific comment on it at this stage, I would be grateful if you would keep it in mind as another dimension to be commented on as the conversation suggests. But it is an intriguing thought at least that we ought to be concentrating on productivity of nonhuman capital.

HARRISON: Several times today it has been asked: Is it feasible to get full employment? Is it feasible to get down to three percent in 18 months? Is it possible? We have had a variety of answers.

It is impossible to answer these questions without some kind of political theory--not economic theory.

I cannot reconcile Peter Henle's answer (which I agree with)--that it is possible in America to get down to three percent unemployment at any time--with Helen Ginsburg's description of the 1930s without a political theory that helps me understand why the 1930s were different.

It seems to me very strange, as an academic, to have to say to political people on the staffs that the bills are politically naive. The private sector has the power to support legislation or to oppose legislation. It has a power to prevent anything that is legislated on this hill from happening, or at least to put roadblocks in the way, depending upon its particular interest.

General Motors is not the same thing as Sam's Barber Shop. Sam's Barber Shop would be delighted with a subsidized SBA loan, perhaps; General Motors couldn't care less. We have to decide which parts of the private sector we are talking about.

Since the 1960s we have had a law in the United States which says that any private company that does \$1 million worth of business a year with the Federal government is required to list any new job vacancies with the state employment service.

We just learned in the last two weeks that in Massachusetts, out of 200 firms doing more than \$1 million worth of business with the government--mostly directly or indirectly with the Pentagon--only 2 of the 200 listed their vacancies with the employment services. No one cares. No one takes them to court. When they are pushed and asked why they don't list, they say, "Well, the government employment service has those people. We don't want those people." This has something to do with the discussion of the feasibility of reaching full employment.

Moreover, consider the decision of CONRAIL, the decision about which lines will be abandoned and which ones will not and where the public investment will be made and new kinds of connections being made entirely by industry-related people whose mandate is to make this system as efficient as possible. That means finding the optimum cutbacks in order to make the system possible, rather than organizing a system based on a criterion that will provide freight service and that will also make sure that no one is out of a job because there is inadequate freight service from points A to B.

This gets us into the whole area of inflation. We talk about inflation as being a threat to a full-employment policy. I believe it is, but I think we must consider employment and manpower policies and concern ourselves with the cost of inflation and the extent to which inflation can be created as a product of the industrial structure. Otherwise, we are talking about employment policies outside of their context.

VIKLUND: We have in Sweden a national commission which is to publish its first report on the 17th of December. I would like to read a few excerpts from that report.

First, you cannot force young and old people to take jobs in substandard environments. I will submit that better working conditions are a great contribution to full employment and therefore are not inflationary.

The other theme in the Royal Commission report is education and work proposals. The idea is to call up every single high school dropout and offer alternatives to long-term training after high school, short-term training programs coupled with work experience.

The report's proposal concerning the mobility of the labor market is that the government will pay the full bill of travel

and other moving costs. Of course, you cannot solve the problems by moving people from depressed areas to other areas. You must provide opportunities in all parts of the country. It is more than full employment, more than employment for all; it is also a problem of taking care of the hidden employment.

If you compare Sweden to the United States, we have 8 million people with 4.1 million in the labor force. If you improve on the child-care facilities, that means that a number of women will join the labor force. So you should not talk in terms of 92 million or 93 million in the labor force, but perhaps 6 or 7 million people in the labor force in Sweden.

As far as how to go about providing jobs, there are two alternatives. The first is an overall expansion, combined with efforts to achieve greater employment through an incomes policy. The second alternative is more selective: adjusting manpower policies to full employment and monetary resources.

We believe the overall expansionist policy along the Keynesian lines does not work any more. It ought to be coupled with an incomes policy. We have the traditional manpower policy, which is selective employment creation concentrated in certain areas. Here it is not just a question of so many programs. It is a question of the quantity. We spend over one and a half percent of our

GNP on projects of this character, while the United States spends just less than half of one percent.

In situations of acute and widespread recession in our country, the marginal employment subsidy may be largely indiscriminate. It affects all sorts of workers and all undertakings. For example, the government would offer to pay a premium of the order and magnitude of 25 to 50 percent of wage cost for all current employment higher than 95 percent of the total number of employees of each firm in a specified period. For last year the money is to be paid out month by month during one or more years to come, so as to improve liquidity immediately.

The subsidy may or may not be combined with programs for adult training or for improvement of the industrial environment. Upon approaching full employment, the subsidy may then be concentrated on marginal groups--workers in particular problem areas or handicapped workers, youngsters, women going back into the labor market after years of housework.

KEYSERLING: I was Chairman of the Council of Economic Advisors under President Truman. Since 1953 I have been devoting myself entirely to trying to handle the full-employment policies. I want to say we are grossly neglecting our national-priority needs. Full employment is attainable within a short period of time.

We had one percent unemployment in 1944, and 2.9 percent in the last year of the Truman administration. An amazing thing about our leadership, the executive branch and the Congress and many leading economists, is that they know the tremendous empirical evidence of the American economy for 25 years and ignore it. We have always had inflation and unstable prices and we never came near the full use of our resources.

The trade-off concept is a monstrous hoax. It was no easier to have reasonably full employment with less inflation in those times than it is now. In those times there was more moral will. There was also more of a moral commitment. There was more political commitment. There were better policies. Now we have bad policies and no comprehensive full-employment policy at all.

So, I am only going to talk about the principles of full employment, which I take to be the subject of this conference. Most of the talking in this room has been about bricks rather than about the house. Now I can understand the interest, the specialized interest in these very important things, but you can't decide how many bricks you need or what kind of bricks unless you know what kind of a house you want. You must first have national economic planning to develop the kind of a house you want. We need a national economic plan.

Now a word about the general structure of unemployment. This has some analytical value, but for the most part such discussions can lead us down a blind alley.

We had 17 percent unemployment in 1939, and almost everybody told us this was hardcore, structural unemployment, that the people were too old or too young or too unskilled or too untrained and too unmotivated and they would rather be on relief. Yet during World War II these people were employed for the purposes of the nation; all of these hardcore, structurally unemployable people got jobs. There wasn't any appreciable unemployment anywhere.

The emphasis on structural unemployment is generally based on a failure to distinguish between the volume of unemployment and who gets selected for unemployment when there is partial unemployment. There has been a good deal of talk about the aggregate and structural aspects of the difference between macro-economics and micro-policy. This has some analytical value, but is also, for the most part, a blind alley. There is no such thing as an adequate aggregated policy that doesn't go into the structural problems.

You can't have a money policy that is aggregated to provide more money when the economy is loose--and less money when the economy is tight--without getting a structural problem. The tight-money policy hurts the wrong people and helps the wrong

people; it stimulates the wrong people and dissuades the wrong people.

You have to consider the distributive aspects of the monetary policy, which are structural. The same thing is true with taxes and spending. We have had tax reductions and tax increases, but they have been wrongly distributed in the structural sense and largely ineffective. And then you have to consider national priorities.

The purpose of jobs is not merely to provide employment, but to provide as well the goods and service that are most needed by the economy and by the nation and the people: energy, food, health, transportation, housing and education.

Then we have to strike a balance through structural means between our private consumption and public investment and private investment and private capital investment.

On the question of short range or long range, I think this also is a misleading tack. Everything is short range because the only value of long-range perspective is to provide a guide to what you do now to get where you want to be later on.

Now, we hear talk about not having national economic planning and not having a full-employment policy because the government has

been too weak. The government has been too weak. The government has been too weak to protect the people against monstrous price inflation. The government has been too weak to have the courage to assert the public's needs.

The public has been too weak to define what real costs are. We are afraid we should not go back to old programs. I think we should test programs by whether they are right or wrong, not by whether they are old or new. There are a lot of old things we ought to be doing, and there are a lot of new things we ought not be doing.

Then you come back to the matter of costs. People talk about what full employment costs. This is nonsense. The cost is \$2.6 billion, and a loss of 54 million man-years of employment opportunity by not having full employment.

I think it is a terrible shame that even in the current state of what we call the Humphrey-Hawkins Bill the group so much interested in this problem have not been supporting it vigorously and did not support it earlier.

However, Senator Humphrey and Congressman Hawkins and the Joint Economic Committee staff have been trying to help by working on that legislation. I hope all of the individuals here will

stop holding bull sessions and start getting down to the business of providing a legislative vehicle for the things that we need to do.

What are the main elements of that? The first main element is to have goals instead of forecasts. Everyone is now forecasting the terrible shape we are going to be in five years from now if we allow the automatic operation of unfortunate forces.

Human intelligence insists on making goals and then manipulating what is happening, not forecasting what is going to happen and standing idly by.

Second, we need to realize we cannot solve the problem with public-service jobs. Now, I have a 43-year record of being for public-service jobs. I am still for public-service jobs--for the basic, civilized responsibility of government to take up the slack and go for full employment. But we cannot activate or reactivate the economy, we cannot get anywhere near full employment without equal policies to restimulate private investment and private jobs.

We cannot provide the housing industry with private and public jobs. We can provide the housing industry with a change in the monetary policies through a change in the tax policies. The trouble

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with the housing industry is that it accounts for 30 percent of all the unemployment in the United States today.

We must regard the content of the job and pay sufficient attention to our national priorities. We need a national-purposes budget. We need a unification of policies under a single quantitative goal.

It is only when we have Congressional legislation mandating the President to do this through his economic reports, and Congress adopting these policies, that we will be able to make measurable progress towards full employment.

BLUESTONE: One thing we have not adequately handled this afternoon is the difference between some of the employment problems we have in the short run and the problems we foresee in the long run.

Obviously, with today's unemployment rate at 8.6 percent nationwide -- with 14.6 percent in my state of Massachusetts; 16 percent in Rhode Island; and 11 percent in North Carolina (which is used to no more than 4 percent) -- we have short-run cyclical unemployment that must be dealt with immediately. However we must also be cognizant of what the future may hold.

Increasingly, there are a number of economists -- some conservative, some radical -- who in fact do see that the future does not look much better for us. Michael Evans of Chase Econometrics, for

instance, has recently estimated that during the next five years we can expect 9 million new labor force participants, but only in the neighborhood of five and a half million new jobs, given a 4 percent real growth in GNP. The result of these trends will be a continued unemployment rate of 8 to 9 percent.

We therefore have not only to deal with the present cyclical problem, which may require more public service employment, but we have to begin to deal with the long run problem as well.

The difficulty in planning for the long run, however, is that all too often we tend to deal with every single issue independently -- we either plan for jobs or plan for new housing or plan to put a man on the moon. Partly this fragmentation in our national planning stems from the committee structure of Congress. We have one committee to deal with housing, another committee to deal with NASA, another to deal with DOD expenditures and still another committee to deal with "jobs."

If nothing else has come out of this Conference -- and I think several very important things have been discussed -- at least we are beginning to see that when we talk about the long-term problem of full employment we are basically talking about the issue of overall economic development.

At the very least that means we cannot fragment our discussion of full employment to meet the jurisdictional lines of the Congressional committee structure. The questions of housing, transportation, and

37

new energy policy are therefore directly relevant to the question of full employment policy. To meet the long-run goal of full employment, we have to begin to think first about what kinds of production goals we have and then see to what extent we fulfill our commitment to full employment by satisfying those goals.

As an economist I do not believe that it will be possible to fulfill many of those goals -- once we examine them -- through continued expansion of the private sector alone. In fact, increasingly, I believe the private sector cannot lead to the kind of growth that we need to fulfill these goals.

What this inevitably will mean is increased public investment and this will have to be financed through taxation and revenue from new public enterprise.

In conclusion, then, we will only be able to reach real full employment by going through the complex process of first developing plans for public sector expansion and finding ways to finance such an undertaking. Once we are committed to a new economic development thrust, we can then argue about the details of how to maximize employment creation as part of such a plan. Only in this way do we get the kind of full-employment solutions that are indeed solutions rather than patchwork, band-aid remedies that are proposed every time the unemployment rate rises in our economy.

This all requires that we go well beyond the "full employment discussion" to a discussion of what overall social goals we want to achieve. I think this conference has begun to look at some of these.

BARRETT: I am a little disturbed that we are discussing the question of the feasibility of full employment, and most of the discussion centers around whether we could create enough public-service relief-type jobs to sop up the unemployed. I get the impression from this that some people say this is the only way we will get actual employment.

I have also heard some discussion about whether or not old-

fashioned monetary and fiscal remedies could get us back to full employment.

I am thinking that right now the Senate Finance Committee-- the entire Senate is debating whether or not to raise taxes. The choice facing us is not whether to cut taxes, but whether to raise taxes or leave them where they are; and if we raise taxes, maybe we also should cut back a little on spending.

I do not see any great mystery as to why unemployment went from four and a half percent in 1973 to 9 percent in 1975. It does not have to do with the deterioration of the skills of the labor force. It has very little to do with more teenagers and women coming into the labor force. It has to do with the fact that a very contractionary monetary and fiscal policy was followed.

Chase Econometrics, as Mr. Bluestone said, is projecting that in 5 years we will still have this unemployment. That is not to say that monetary and fiscal policy could not get us to full employment in five years; but, projecting what kinds of monetary and fiscal policy are likely to be followed (i.e., restrictive macro-economic policies), we are likely to see more high unemployment.

I might also add that I think structural-unemployment problems have worsened considerably over the last decade. Certainly the

immediate short-range increase in unemployment rates from 4 to 9 percent cannot be attributed to following the same kind of policies--policies people are saying don't work any more.

SPRING: Since 1968 Congress has been facing the difficulty of the veto--for example, the veto of the manpower bill and the veto of the 900,000-jobs bill, last April.

Congress can pass a bill to create 10 million jobs if it wants to, but if the Administration has a tight enough monetary policy, it can very effectively abort the whole operation. To make some recommendations, we have to think about what we do in terms of next January when we're in office.

The most important part of the Hawkins-Humphrey bill is requiring planning, as well as tax, monetary and manpower policies, to take care of people who are in fact left out of the economic situation.

HUMPHREY: We got to take the message out to the American people that unemployment in the long term is wasteful. What the country needs is work. Investments are like any other investments, but you can't do it on a one-year budget basis. Just think--we plan a budget on a yearly basis or even a two-year basis. You can't create anything really effective on a short-term basis. One of

the reasons that the Pentagon gets its hands on more money than anybody is because it has what we call long-term planning. When I was Vice-President, I sat around and studied that budget and found out that they are looking ahead 15 years. They get their nose under the tent with a new weapons system and then you are committed. Wouldn't it be nice to get our nose under the tent in a new employment policy and be committed to it? Why shouldn't we have a policy in this country that says that if people are willing to work, if they are able to work, there will be work for them? There is work for them in this country. No country ever went bankrupt from building and construction. You go bankrupt from printing money. But when you are making and using goods and services, then you are rich. That is the way we were brought up. But when you get to Washington, some people think if you spend money to rehabilitate your cities, if you put in water and sewer lines, if you take care of the park systems and do the things that need to be done, somehow or other that makes you go bankrupt. But the real fact is the contrary: it is what builds a country.

WIRTZ: We have emphasized the structural aspects of the notion of full employment, the local and regional aspects of it, and the planning aspects of it, all with due regard to its broader economic aspects. And we have witnessed a controlled but in no way diminished emphasis on the gravity of the problem we face.

We found no areas of significant disagreement, not even with respect to the specifics as they arose. There was complete consensus in the discussion at this table that full employment in this country is a completely real prospect. There is nothing that stands in the way of achieving that prospect except what we referred to several times as political difficulties.

We are not in a position to advise you after 4 hours together about specific programs, but we will say we are tired of what has been referred to here as trade-offs of one kind or another. If Keynesian economics says we can't get below 4 or 5 percent unemployment, we say it is time for someone to say: The emperor wears no clothes.

We find, to the best of our ability, that it is a responsible advice to the Congress of the United States that full employment as the people--rather than as the economists--understand it, is a viable objective for this particular time in our history. The message I find common to all the discussion here today and representative of the views of the group assembled is simply that nothing except lack of courage and overemphasis on political concerns of one kind or another stands between us and getting on quickly with what we propose to do: There must be full support of public service, public contracts and a public program.

Our interest in long-range answers of one kind or another in no way diminishes our support for the necessary short-range response.

I think we would properly summarize this Conference by saying to those who called it, the Congress of the United States: You underestimate and lack the courage of this country's convictions.

SLATER: I would like to thank Mr. Wirtz for moderating the Conference and say that he has done an excellent job in getting across the message, which is that full employment is a viable objective.

We on the Joint Economic Committee will certainly do all we can to get this message to Congress and the country as a whole.

WIRTZ: We are sufficiently sophisticated to know that very little time has been given to us for our examination and counsel, but we are also experienced enough to know that the kind of things suggested here will have an effect. Thank you.

#### IV. COMMENTS AND NEWS ITEMS FROM THE NATIONAL PRESS

"AFL-CIO Policy Statement Says Congress Should Act to Cut Unemployment to 3%"

Wall Street Journal, 8 November 1975

Calling "full-employment" legislation a must for congressional action next year, the AFL-CIO outlined its own formula for such a law.

Noting that some members of Congress have endorsed various "full-employment" proposals, the federation's Economic Policy Committee urged lawmakers to push for a "realistic, achievable workable measure." Some full-employment proposals have been criticized as being too expensive and inflationary.

Many economists have considered an unemployment rate of 4% of the work force to be "full" employment, although the entry of many teenagers and people lacking job skills has caused some to say 5% is a more realistic figure. The rate was 8.3% last month, and the Ford administration officials expect it to remain high for several years.

But the AFL-CIO policy statement said Congress should start "an immediate and sustained campaign" to reduce unemployment to 3% of the labor force and keep it from increasing above that.

Thus, "the unemployed, at any time" would be only persons who are temporarily jobless "such as new entrants to the labor force, people who are moving or people encountering temporary joblessness due to seasonal fluctuations in their industry."

When usual job openings won't meet the 3% goal, the statement said, the government should maintain a public employment program of jobs at "prevailing rates of pay" and at least the federal minimum wage currently \$2.10 an hour.

The AFL-CIO said the President should outline to Congress each year targets, policies and programs to achieve full employment, and should be required to propose specific federal tax, monetary and budget policies to be pursued.

Similarly, the AFL-CIO proposed that the Federal Reserve Board should "justify" to the President and Congress the manner in which its monetary policies will help meet full-employment targets.

Throughout the last recession the AFL-CIO repeatedly called for job creation policies as well as moves to ease the impact of unemployment on jobless workers. But the new policy statement is the first specific sketch of full-employment legislation the federation would support.

"How Jobs Could Fight Inflation"

by Tom Wicker

New York Times, 16 November 1975

One of the most widely accepted economic propositions of our time, endorsed by Keynesian liberals as well as conservatives, is that the achievement of full employment will inevitably bring price inflation. The so-called "Phillips curve" even calibrates the connection--the lower the rate of unemployment, the higher the rate of inflation, and vice versa.

It is upon this proposition that Gerald Ford based his veto of emergency jobs legislation, and a Gallup Poll showing that most Americans view inflation as a greater danger than unemployment gives his position considerable political validity. Obviously, he believes the voters will choose an "inflation fighter" over a "spender" next year, even if the spender's stated purpose is to put the unemployed to work.

The belief in an inflation-unemployment trade-off also is at the root of the relative timidity of the Democrats in pushing for measures to reduce unemployment, and the relative weakness of the measures they have supported. And the fear of inflation is no doubt the primary reason why the farreaching Hawkins-Humphrey bill--which would be aimed at producing true full employment, not just 4-to-6 percent unemployment--does not have much chance to pass, and would surely be vetoed if it did.

Given such consequences, is the belief in the inflation-unemployment trade-off really valid? A number of economists, possibly a growing number, do not think so. Their general case is set down lucidly by Peter Barnes in the Fall 1975 issue of Working Papers--a special issue devoted to "politics and programs for 1976."

Mr. Barnes, now an official in the Presidential campaign of Fred Harris, is arguing for a guaranteed-job program. He recognizes that supporters of such a plan either must attack the idea that full employment would cause inflation, or argue--more dubi-

ously--that putting the unemployed to work would be worth having higher prices for everybody.

The case he states is that full employment would not necessarily cause inflation, and that it might even "promote price stability." This is based on the idea that, contrary to the Phillips-curve proposition, "prices no longer fluctuate in accordance with supply and demand" in the American economy. Instead, as evidenced recently with automobiles, falling demand leads to higher prices, as the volume of production diminishes and per-unit costs rise. In economic areas where major industries "administer" prices, they raise them to compensate for lower volume and higher costs.

In this thesis, unemployment does not fight the resulting price inflation. It feeds it, since it reduces demand, thereby encouraging a further round of administered price increases to compensate for lowered volume. It follows that putting the unemployed to work would fight administered-price inflation, because the newly employed workers would not only increase aggregate demand but add to the supply of goods and services, and thus tend to promote price stability.

Since many of the unemployed are paid something, through compensation plans or welfare, but produce nothing, paying them wages for productive work should result in a net increase of aggregate supply over aggregate demand. Putting them to work also should increase the volume of production. Both factors actually would tend to lower rather than increase prices.

As for the Federal budget deficit, since it is largely the product of the drop in tax revenues attributable to unemployment, a successful full-employment program would tend to reduce the deficit, hence pressures on the credit markets. Interest rates therefore would remain at reasonable levels. Even President Ford's budget report conceded that "if the economy were to be as fully employed in 1976 as it was in 1974, we would have \$40 billion in additional tax receipts, assuming no change in tax rates, and \$12.7 billion less in aid to the unemployed." That's \$52.7 billion more revenue at 1974 tax and employment levels--and the latter was not true full employment.

For all these reasons, the Congressional Democrats may have a more significant instrument in their hands than many now think--the Hawkins-Humphrey bill. It would give every American an enforceable right to a job, make full employment the measure of the fiscal and monetary policies of all Federal agencies, establish federally administered "job reservoirs" meshing private and public

employment, and set up a Standby Job Corps by the public employment of those waiting for permanent jobs. Mr. Ford's certain veto of such a bill, if the Democrats should pass it, would draw the issue sharply for the election next year.

"Congress Told Everyone Has 'Right' to Work"

by Charles Stafford

St. Petersburg Times, 11 December 1975

A member of the Danish Parliament provided this philosophical tidbit Wednesday for the guidance of the American Congress as it wrestles with the nation's economic problems: "Unemployment is created by man; it is not a law of nature."

Full employment is attainable, said Kjeld Olesen, but it requires a national commitment to the principle that "everyone has a right to work."

Others who gathered with him to advise Congress said over and over again that it costs the government more to support unemployed people than it would for the government to pay them to work.

Olesen and two dozen American economists, business leaders and labor experts took part in a symposium on a full employment policy for the United States. Sen. Hubert H. Humphrey, D-Minn., and Rep. Augustus Hawkins, D-Calif., sponsors of full employment legislation, were the hosts. Willard Wirtz, secretary of Labor during the Kennedy and Johnson administrations, served as moderator.

Humphrey told the panelists that Congress needs to know whether full employment--a state in which national unemployment recedes to 3 per cent or below--is a realistic, attainable goal, and how that goal can be achieved. It also needs advice, he said, on how to convince Congress and the people that they must make a national commitment to full employment.

Sen. Dale Bumpers, D-Ark., said that he had asked the Library of Congress for information on the cost of unemployment. It reported to him, he said, that for each 1 per cent of unemployment, government spends \$2-billion a year in unemployment benefits, \$2.6-billion a year in increased welfare payments, and the economy suffers setbacks--lowered production, lessened purchasing power--that add up to a \$16-billion annual loss in gross national

product. Unemployment is currently running just above 8 per cent.

Bumpers' figures would indicate that the current annual cost to the federal government for 5 per cent unemployment--the difference between the current rate and full employment--about \$103-billion.

"Obviously," said Bumpers, "it is costing us a lot more to permit unemployment than to hire these people in public service work."

Leon Sullivan, director of the Opportunity Industrialization Center in Philadelphia, warned: "If we don't move to a policy of full employment, in the next few years we are going to see insurrection in the cities of this country that will make those disturbances of a few years ago seem like little church meetings."

In some urban neighborhoods, he said, unemployment runs as high as 40 per cent.

"We feel our government has a lopsided policy," Sullivan said. "We are helping the poor of the world and neglecting the poor of America."

To achieve full employment, he said, there is a need to create jobs to fill the needs of individual communities, and a need to train people for jobs that already exist but for which they are not qualified.

His organization recently conducted a survey of help-wanted advertisements in the newspapers of 200 cities on the same Sunday. The results indicated, Sullivan said, that there are 3-million jobs in the United States that are not filled.

Training and utilization of unfilled jobs could cut unemployment from 8-million to 3-million in five years, he said.

Dr. Carl Madden, chief economist for the U.S. Chamber of Commerce, agreed with Sullivan that there are many unfilled jobs. Many persons, he said, are blocked out of the job market by government policies that work against full employment.

As an example, he asked why there is a need for a minimum wage when the government provides programs to supplement wages of low income workers. The minimum wage law, he said, forecloses business from trying to obtain people to do work that requires minimum skills.

Dr. Barbara Bergman, professor of economics at the University of Maryland, said that fear is working against attainment of full employment. First of all, she said, there is a fear that a full employment policy would result in a high rate of inflation. Secondly, she said, there has grown out of New York City's financial plight a national fear of debt and deficit.

Congress and government economists, she said, must find a way of reducing unemployment while coping with those fears. It is very likely, she said, that the move toward full employment will have to be accompanied by government controls, such as wage and price controls.

John Gilligan, chairman of the Council of National Priorities and Development and former governor of Ohio, said that the federal government must be more conscious of the impact on state and local governments of the fiscal policies it adopts. State and local governments, he said, are often forced by the federal government into actions that directly contradict the federal policies.

As an example, Gilligan said, the government is presently pursuing a policy of reducing spending and cutting taxes. As a result, state and local governments, to compensate for lost revenues, are being forced to raise taxes and lay off thousands of government workers.

### "Creating Jobs Is Not Easy"

by Tom Wicker

New York Times, December 1975

"This country is desperately short on public goods and services of the most basic nature," Senator Hubert Humphrey said here the other day. "How ironic, how tragic it is that there are millions of idle people on the one hand and so much undone work on the other."

A day or so later, in Akron, Ohio, Chairman Arthur F. Burns of the Federal Reserve Board looked at the other side of the same coin. "If an unemployment rate of 8 or 9 percent is insufficient to bring inflation to a halt," he said, "then our economic system is no longer working as we once supposed."

If that is so--if there is no real "trade-off" between unemployment and inflation--then there is no true economic reason why Senator Humphrey's lament cannot be answered by a full employment

policy that would not only expand the private job market but utilize public service employment more effectively than ever before. Such a policy is the goal of the so-called Hawkins-Humphrey bill now pending in both houses of Congress--although it will be much revised in the coming months.

The bill would declare it the policy of the Government to make a decent job available to every American willing and able to work. And it would impose on every agency of the Government, including the Federal Reserve Board, the necessity to do whatever would be necessary to achieve full employment. The beginning target would be to reduce the rate of unemployment--now at 8.3 percent--to 3 percent within the first 18 months.

The policy would be enforceable in at least two ways. Individual Government agencies and the Administration in power would have to explain and justify their monetary and fiscal actions to Congress; and American citizens would have the right to go into court to enforce their job rights. Nevertheless, the Hawkins-Humphrey bill does not as drawn establish vast new public-service hiring programs.

Rather it imposes a full employment policy, and leaves it to the Administration to find the means of implementing it. Thus, if a Ford-like Administration wanted to act primarily within the private sector and with incentives to business, it could do so--as long as the necessary jobs were provided. The measure would establish, however, a Job Guarantee Office in the U.S. Employment Service and a Job Corps to provide temporary work for applicants awaiting a more permanent private or public service job.

The costs are hard to calculate, but they obviously would be substantial. On the other hand, Representative Augustus Hawkins of California, the bill's House sponsor, points out that owing to high unemployment as much as \$75 billion a year is being lost in tax revenues, \$23 billion will be paid out in 1975 for unemployment benefits, and a \$12 billion tax reduction has been enacted.

How much unemployment may also be costing in increased welfare benefits cannot be exactly known. Obviously, however, an effective full employment policy would be less costly in the long run than the kind of unemployment rates envisioned--under present policies--for the rest of this decade.

Thus, the Hawkins-Humphrey bill seems to many economists to be moving in the right direction, although it is by no means a flawless instrument. One penetrating critique presented last week at a Congressional Conference on Full Employment pointed out,

for example, that the bill "still begs the crucial question of how the public sector can actually create new jobs."

This view, put forward by Barry Bluestone of Boston College and Bennett Harrison of M.I.T., held that public service jobs, like any other required capitalization, for which no real provision had been made. They called for new capital inflows into depressed regions and capital assistance for new enterprises and ailing businesses, perhaps to be provided by a national development bank; and they suggested that such capital might be found by eliminating tax incentives for foreign investment and many "unproductive" national and state business tax incentives.

These and other critics believe the Hawkins-Humphrey approach pays too little attention to structural underemployment in a technological economy; and that although it calls for local planning councils to develop and oversee job reservoirs, this effort to avoid centralized control risks an essential lack of coordination.

But the major political pitfalls are the widespread view that full--or even high--employment inevitably means inflation, and the lack of understanding that the "spending" necessary to effect such a policy would in the long run increase revenues and reduce the Federal deficit. A full employment policy, whether derived from the Hawkins-Humphrey bill or any other, is not politically likely, therefore, unless inflation can also be controlled.

Arthur Burns may have hinted at the key to that when he said in Akron that "competition has become less intense in many of our private markets"--an apparent suggestion that corporate and union power can hold up prices and wages in spite of supply and demand.

#### "Jobless Numbers"

by John Conyers Jr.

New York Times, 1 January 1976

Early this month, the Labor Department announced its latest statistics on employment in the United States. The number of jobless dropped from 8 million in October to 7.7 million in November, causing the unemployment rate to decline from 8.6 percent to 8.3 percent (a good sign!). At the same time, the number of jobs decreased slightly, from 85.44 million to 85.28 million (not such a good sign!).

These figures had to be disappointing the Ford Administration,

which hoped that the upsurge in jobs and production registered during the third quarter of this year would continue. Nevertheless, it assured us that economic recovery was still rolling along. Just more slowly than hoped.

A closer look at the figures, as appalling as they are, reveals a chilling picture. The fact is that for millions of blacks as well as whites the job scene is incredibly bleak. The crucial statistic, the one showing the number of employed, remained almost motionless.

Even more critical is the fact that the Government's method for calculating unemployment is rigged, deliberately designed to conceal the true level, understating it by almost half.

According to the National Urban League, nearly 15 million persons (not the 7.7 million officially admitted by the Labor Department) are jobless, and the unemployment rate is 15 percent. For blacks, conditions are worse, for the official rate of 13.8 percent, when adjusted, soars to 26 percent.

How does the Labor Department slant the statistics? The method is fairly simple. It merely defines in very narrow terms who is unemployed and calls many people employed who are not, in any real sense.

Amazingly, millions who searched for jobs so long that they stopped looking are not considered officially jobless, because they don't fit the department's "unemployed" category (they must have looked for jobs within the four weeks preceding the monthly survey). Thus, in a stroke, some 5.3 million discouraged workers are written off the rolls.

Who else is omitted? The 3.6 million forced to work on the average half a week because they can't find full-time jobs but who, when asked in the monthly survey, say they would take one immediately if it were offered.

If we add the 5.3 million discouraged workers and just half the part-time workers (1.8 million) to the official 7.7 million, the number of unemployed soars to 14.8 million. For blacks, the numbers surge from 1.5 to 3.1 million.

Who is called employed? The Labor Department includes the 3.6 million part-time workers. It also includes the unpaid family workers who don't receive wages but help on family farms and stores and share in the family income, generally because no other jobs are available. The department also labels employed those

millions who work for wages beneath the official poverty line (\$5,400). At present, over 25 percent of black workers in this country work for poverty wages, but they, like the part-time and unpaid family workers, land in the Labor Department's "employed" column, just as if they earned, say, \$35,000 a year.

What does this mean? For those forced into part-time work, life is a daily search for more secure, full-time work with full-time pay. For those working for poverty wages, there is the incessant struggle to survive on that pay, as well as the realization that they must hang on to their jobs.

And for those luckier workers with better paying jobs, there is a vivid awareness that they must tame any demands for higher pay or improved work conditions.

For industry, the vast numbers of jobless, part-time and low-paid workers mean a huge supply of cheap labor when the business cycle picks up.

For obvious reasons, the Government must hide the extraordinary extent of unemployment, of wasted, idle lives and productive capacity. Indeed, if the truth were known, the public outcry would be so great, so unrelenting, that it would be forced to act, to guarantee jobs now and at livable wages. And this is precisely what the present Administration is unwilling to do. Instead, it would leave the matter to the "market," to "supply and demand," to chance.

In fact, Government spokesmen now talk of acceptable unemployment rates in the 7 percent range. Yet only a few years ago, such pronouncements would have been attacked as intolerable. But since the Administration is aware that vast unemployment is the tool that allows big business to extract its profits, it asserts that joblessness is an economic necessity.

To reduce the current "official" unemployment rate to 5 percent by 1985, over 37 million jobs are needed; 8 million for the present jobless, 15 million to accommodate the normal population increase, and 12 million more to compensate for those jobs lost because of technological advances in industry.

But over the last ten years, according to "The 1975 Manpower Report of the President," only 16.5 million new jobs were created, and most of these were in low-paying industries.

The task of public policy must be to turn that around, to put people to work for people, rather than for profits. Unless we act

now and support legislation being proposed in Congress that would insure each worker the right to a job, the outlook for American workers will be only a replay of the present--No work, no wages, no self-respect and no hope of change.

"Platform on a Snowy Day"

by Tom Wicker

New York Times, 2 January 1976

[The next president's job should] be to undertake to provide the American people with full employment--not 4 or 6 or 7 percent unemployment--but a job for everyone willing and able to work, in private enterprise to the extent possible, in public employment to the extent necessary. This would not be offered as a panacea for all economic ills, but as a positive step to reduce poverty, welfare dependence and possibly street crime, accomplish certain public purposes (for example, the reconstruction of railroad lines), and hold down inflation by increasing both supply and demand.

"Opportunity for the Democrats"

by Tom Wicker

New York Times, 14 December 1975

The Democrats now have the opportunity--there may never be a better--to develop an economic and political issue of overriding importance for a 1976 campaign against either Gerald Ford or Ronald Reagan. The issue is full employment; the opportunity arises from Democratic control of Congress at a time when the Ford Administration "in effect is substituting welfare for an employment strategy," as the Joint Economic Committee recently put it.

The Ford policy not only costs too much in immediate dollar terms--about \$20 billion a year for unemployment benefits alone, together with a substantial increase in Aid to Families with Dependent Children and about twice as many food stamp recipients as would be normally expected; but the high unemployment it tolerates--8.3 percent now, with the rate expected to remain near or above 7 percent for the rest of this decade--is primarily responsible for the \$74 billion budget deficit projected for fiscal 1976, and the cause of many disagreeable social consequences--higher crime rates, for one probable example.

Leon Sullivan, a respected black leader from Philadelphia and a member of the board of General Motors, believes also that "new seeds of insurrection are being sown in the cities of America" by the pervasive poverty to which such unemployment rates contribute heavily, and that if nothing is done to move toward full employment "within the next four years at most," the resulting explosion will make the urban riots of the sixties look like little church meetings."

But full employment is an issue that cuts across racial lines, and should have appeal in the suburbs and small towns as well as in the cities. It is not a utopian scheme, nor economically impractical. Mr. Sullivan was speaking at a "Congressional conference" on full employment, convened here this week by the Council for National Policy Planning, and at which numerous economists, business leaders and members of Congress expressed support for the concept, and put forward ideas for realizing it--as well as cautionary qualifications.

Politically, moreover, the times seem ripe for new directions. As Gar Alperovitz, the economist, put it, there is a "growing sense that the traditional methods of dealing with these problems simply won't work"--neither Ford-style budgetary conservatism nor the Democrats' familiar combination of tax cuts and public-service job programs.

Senator Hubert Humphrey--now the leader for the Democratic Presidential nominations, according to the Gallup Poll, and Representative Augustus F. Hawkins of California have provided their party with the necessary instrument for making full employment the central issue of the 1976 campaign. They have introduced in House and Senate the so-called Hawkins-Humphrey bill, imposing a mandatory full-employment policy on the Federal Government, including the Federal Reserve Board, and making a decent job the legal right of every American.

Improved versions of the measure are now being drafted. House sources say Speaker Carl Albert has pledged his full efforts to enactment by next spring. The AFL-CIO outlined in November a full-employment program, similar to the Hawkins-Humphrey bill, that it called a "must" for Congressional action next year, and George Meany is reported to have pledged that labor would "go all out" for its enactment.

Mr. Ford would undoubtedly veto the Hawkins-Humphrey bill if Congress did pass it; even if it were defeated in Congress, his opposition and that of Republican legislators would draw the issue; and while Mr. Reagan's attitude cannot so easily be predicted, his

conservative backing suggests he might be even more strongly opposed.

None of this would be as easy for the Democrats as it may sound. The conventional wisdom is that full employment must inevitably cause high inflation and huge deficits (although the exact opposite might be true of a properly conceived full-employment policy), and the Republicans and conservative Democrats would make a hard fight on that ground. The costs in the beginning are hard to estimate, but the Joint Economic Committee thinks a program to provide jobs for only half of the unemployed above the 4.5 percent level would cost about \$5.5 billion a year. Full employment might actually pay for itself ultimately in increased tax receipts and productivity, but that is a hard argument to make against high initial dollar outlays--for which, anyway, no provision was made in the Congressional budget resolution approved this week.

Some of the economists at the Congressional conference warned, moreover, that the Hawkins-Humphrey approach needs much work before its commitment to full employment could become a successful program for achieving it; of these criticisms, more later. Politically speaking, the Democratic opportunity is to make the commitment the bill calls for and to campaign against the Republican nominee--and George Wallace, if necessary--on the pledge of a decent job for every man and woman willing and able to work.

#### "Our Future: Centralization or Decentralization"

by Gar Alperovitz and Jeff Faux

New York Times, 3 January 1976

The United States is well on the way to a planned economy. Over the next decade, questions of economic growth, income distribution, price and employment levels and the use of scarce natural resources will become more and more subject to explicit political decision. The key questions are not whether we will plan, but how and for whose benefit.

Demand for planning is growing in divergent quarters: Corporate executives like Henry Ford 2d, chairman of the Ford Motor Company; financiers like Felix G. Rohaytn, chairman of the Municipal Assistance Corporation, in New York; labor leaders like Leonard Woodcock, president of the United Auto Workers; and politicians like Senators Jacob K. Javits and Hubert H. Humphrey are calling for more explicit Government intervention in the economy.

The period of protracted economic stagnation that lies ahead will accelerate these demands. The market clearly cannot provide us with full employment and price stability. Moreover, it cannot cope with the growing instability of world resource supplies. In many areas the market even gives the wrong signal. Five years before the energy crisis of 1973, petroleum prices were still declining.

Planning is in fact necessary in the modern economy, and Government must take the lead. Recent national polls, however, show that most Americans understand that Government policies are easily manipulated by powerful special interests.

The pollster Peter Hart found earlier this year that a majority of the public thinks the major corporations tend to dominate public officials in Washington. A majority also feels that both the Democratic and Republican Parties favor big business rather than the average worker. A smaller majority feels that big business is the source of most of what is wrong with the country.

The public is right about the ease with which big business moves in on big government. For this reason, we need to build new institutions to assure that the economic planning we get grows out of democratic processes, rather than the kind of informal collusion between public and corporate bureaucracies that has marked energy planning in the United States and broader economic planning in much of Europe. Democracy itself must become a major goal of economic planning.

The public is ahead of the politicians on these issues. Two-thirds of the respondents in the Hart poll favored employee ownership of large corporations, and three-quarters felt that consumers should be represented on the boards of large corporations that operate in their local areas. In other polls, majorities have endorsed creation of a publicly owned oil company to compete with private firms.

In a country as large as the United States, decentralization is essential for democratic planning. The planning process should therefore begin at the local level. A democratically determined national economic policy should be the balanced and integrated sum of the plans of thousands of communities and neighborhoods in America, not the politically balanced views of a Presidential staff and a few Congressional leaders.

Fortunately, we do not have to start from scratch. We have some ten years of experience with attempts at citizen participation in local planning--urban development, suburban zoning, anti-poverty, and other activities. New experience is being developed

in participatory local planning for jobs and housing in several cities of the nation.

Resistance to democratic decision making has been fierce. Bureaucrats, public and private, have barricaded the paths to information and power and then blamed the people for being uninformed and unable to act. Still, in almost every American community there are skilled, sophisticated citizens and viable community organizations upon which a democratic economic planning system can be built.

Such a system would begin with these questions: What do you want your neighborhood or community to be like in five years? What capital and labor resources are needed? What technology will be necessary?

National priorities should be based on what is needed to support local goals developed throughout the nation.

Developing local-planning capacity will take a national investment of time and money. Both are needed to create ways of making compromises between conflicting needs of different localities and regions. We must also protect individual economic rights from the tyranny of local majorities. But if we do not make the investment now, the inevitable drift to centralized bureaucratic economic planning, informally structured to achieve corporate priorities, can only be regarded as a fundamental threat to democracy.

#### "Laying a Foundation for Solving National Problems"

by Gar Alperovitz and Jeff Faux

New York Times, 6 January 1976

Guaranteed employment and stabilized prices of basic necessities should be two major goals of economic planning. Not only are they important in themselves, but they are needed to create a foundation for solving other national problems.

Assuring a job to every employable American would have broad implications.

First, the fear of unemployment and economic ruin that is at the heart of most resistance to change would be reduced. Workers would be less resistant to cuts in the military budget or environmental policies if they knew they would have immediate replacement jobs. White workers would feel less threatened by blacks, men less threatened by women.

Second, guaranteed jobs would stabilize local employment, reducing the waste and community dislocation associated with fluctuating economic conditions. It would eliminate a substantial portion of migration within and between cities that is forced upon people by the loss of jobs. Stabilizing the job market in rural areas, smaller cities and depressed sections of metropolitan areas would have averted part of the economic crisis in New York City.

It would also help relieve the current fiscal crisis in state and local governments by maintaining tax revenues and reducing the need for social services. Stabilizing employment is thus a necessary condition for American cities to resume the task of rebuilding safe, livable neighborhoods.

A start toward a guarantee of employment is the Equal Opportunity and Full Employment Bill, sponsored by Senator Hubert H. Humphrey and Representative Augustus F. Hawkins. It would provide every American with the right to a job--enforceable in court. It calls for the Federal Government to act as employer of last resort. Job-guarantee offices across the country would be ready at any time to give public-service jobs to any American who applied.

However, a job-stabilization program should not be limited to traditional private and public-service jobs. It should be part of a planned rebuilding of important industrial sectors of the economy.

For example, America needs to rationalize its rail transportation system, both to save energy and to encourage more geographically balanced population growth. Transportation planning can in turn be used to stabilize employment in areas hard hit by the decline in automobile demand.

The potential impact is suggested by calculations made by Senator Philip A. Hart: If one-fifth of ground traffic were shifted to public transport, 1.5 million new jobs would be created by 1985, including 51,000 in the construction industry, and 450,000 in manufacturing, for which an estimated 225,000 workers could be drawn from the ranks of unemployed auto workers annually.

But instead of using Government transportation contracts to build up private corporate empires as we have in defense production, manufacturing of railroad equipment paid for largely by the public should be done by new firms with ownership shared by employees, the local community, and the Federal Government. Senator Edward M. Kennedy's recent proposal that some large auto firms be divested of their mass-transit-producing facilities, and under certain circumstances held in public trust if no suitable buyer can

be found, could begin to move us in this direction.

The second major thrust of economic planning should aim at stabilizing the price of the basic necessities--food, housing, medical care, and a minimum level of energy. These four items constitute nearly 75 percent of the consumption expenditures of the average urban family.

Over the last three years, for instance, high prices have forced American consumers to pay \$60 billion more for food, hitting low- and moderate-income families particularly hard. Agricultural policy has long been planned by government but has mainly benefited large agribusiness corporations.

A food program similar to the way Canada handles wheat would involve planning to benefit the public--direct production payments to farmers to keep consumer prices down would be much less costly and of more progressive benefit than recent programs.

A direct approach to inflation would stabilize the price of necessities, but it would not have to stabilize the price of non-necessities, such as luxury foods or vacation homes. They could be allowed to fluctuate.

National planning to eliminate the fear of being unemployed and unable to afford necessities would free people to participate more fully in local planning. It would also free our society as a whole to deal with deeper issues that face us, among them the exhaustion of natural resources and the alienation of people from their work and community.

