

Inflation and Unemployment

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Your social security

AN
ANTI
INFLATION PROGRAM

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AN
ANTI INFLATION PROGRAM

Officials of business and government can stop inflation in the United States, at anytime they want to do so. They will stop inflation only when they are convinced that inflation is no longer in their personal interest. Leadership against inflation must come from the President, or from Congress, preferably both.

Before discussing the steps which officials of business and government must take to stop inflation, let us look at some of the causes of inflation. While the economists argue over the causes of inflation, it seems clear that the primary causes are:

1. Officials of government and business are committed to inflationary policies and programs of long standing;

2. Too much debt at all levels of the economy;

3. Inadequate programs for the management of our energy, land and recycleable resources;

4. Government's inflationary administrative activities through
a. non-enforcement of anti monopoly laws; b. Cost plus contracting;
c. Non-multi-purpose program development and implimentation; d. Cost plus "regulating"; e. Empire building and spending of all appropriated monies, and f. Non-productive spending;

5. Congressional inflationary activities through a. Failure to correct the corruptive processes of our elections system; b. Failure to properly monitor the administration of laws and their proper implimentation; c. The use of congressional and committee personnel for

non congressional purposes;

6. Failure to establish a strong consumers agency in the federal government, and

7. Non-essential unproductive subsidies - either direct, through grants, taxes or other subterfuges to business.

With these causes of inflation as a guide, our government and business leaders can stop inflation cold by following the suggestions contained herein.

Officials of Government and Industry

Cause Inflation

Inflationary policies and programs have become a way of life for leaders of government and business. Inflation's main thrust began with world war II. It has continued to grow and intensify. This growth of inflation has been fired by the desires of leaders of industry and government to achieve personal gain therefrom. These leaders have geared their daily business decisions to an inflationary economy. Personal incomes of these leaders have continued to grow along with inflation. As long as inflation fullfills the incentive of personal gain by our leaders, just that long will they feed the flames which give inflation energy. A prerequisite of stopping inflation is to make inflation unattractive to the officials of business and government. This then becomes the first step in any successful anti inflation program.

Anti Inflation Index

In an anti inflation war, it is essential that we establish a goal. A stopping point where inflation must be driven back to. A point from which the actions of our leaders can be measured. This stopping point is an Anti Inflation Index. An Anti Inflation Index covering a period of ten

Years - 1961 through 1970. This Anti Inflation Index is to be used to measure the movement of all debt, government expenditures, incomes, interest rates, production, profits and all other matters which affect the economy. The Anti Inflation Index will be a valuable tool to show the leaders how effective they are against inflation. It will also be valuable for the general public in determining how well their leaders are doing their job of fighting inflation.

Where personal incomes do not exceed the minimum living standards established by the Department of Labor, they will be exempted from the Anti Inflation Index. Personal incomes of \$20,000 a year or less will be permitted to increase at the rate of increase in the cost of living index as determined by the Department of Labor. Personal incomes in excess of \$20,000 yearly, if increased, any increase in excess of the Anti Inflation Index shall be paid to the United States Anti Inflation Fund. All proceeds of the Anti Inflation Fund, shall be used exclusively to reduce the debt of the federal government.

Business incomes which are not in the black are exempted from the Anti Inflation Index. Business incomes of four (4 %) percent a year or less will be permitted to increase at the rate of increase in the cost of living index as determined by the Department of Labor. Business incomes in excess of four (4 %) percent yearly, if increased, any increase in excess of the Anti Inflation Index shall be paid to the Anti Inflation Fund. All proceeds of this fund shall be used exclusively to reduce the debt of the federal government.

Inflation for Personal Gain

Beginning with world war II, increases in personal incomes of officials

in the business sector have, in the main, been based on cost of living increases, increased net worth of the company, increased dollar volume of sales of products and at times - increased productivity and increased earnings per share of common stock. Government and non-profit organization's personal income increases have been tied to the cost of living and differentials with the business sector. In addition some business leaders have developed new income through increased cash flow. This, even when cash flow represented debt. In other words increases in personal incomes have taken place as a result of inflationary practices - primarily.

In the government sector additional promotions are normally "won" through empire building, and rewriting of job specifications. Empire building has included the technique of creating new programs, creating unnecessary work and the creation of jobs without work. This type of activity nearly always can be found in agencies which have personnel without adequate responsibility.

These processes are inflationary. They also put production as a secondary matter. To stop inflation it is mandatory that these techniques be stopped. We must stop rewarding officials for creating inflation. In the future officials would be rewarded for fighting inflation. Reducing the costs of program administration and the elimination of wasteful techniques, including paperwork.

Increases in incomes for business officials would be permitted only to the extent that they were capable of reducing the Anti Inflation Index for their company. Through this process they would demand and receive performance from everyone. They, in turn, could reward that performance where the Anti Inflation Index is reduced.

Stockholders would for example stop rewarding their officials for acquiring new companies which make no contribution to the per share net income.

Income increases for government officials would come only as a result of reductions in the Anti Inflation Index. For example, the President, Vice President and Congress would be tied to the federal budget. They should not be rewarded for deficit spending. When they begin reducing the federal debt by at least ten (10 %) percent per year and reducing the budget by the same amount, they would then be considered to be doing a reasonable fiscal job of fighting inflation. Departmental and agency officials would be tied to their agency. The judiciary and law enforcement would be tied to their ability to reduce the cost of crime and law enforcement.

Thus, the whole force of leadership in business and government will be changed. Government and industry officials must now work to improve their personal income by deflating the economy. Once again Yankee ingenuity will be directed toward a better and cheaper product or service. This means that the official will be working to reduce energy use, debt, theft of products, taxes, telephone, transportation, general waste of all kinds and all the other costs - including capital investment. The Anti Inflation Index, would of course prevent the shuffling of titles to obtain increases in personal income.

The thrust of official and employees at reducing the cost of products and services, while at the sametime improving them, is a requisite to deflation.

Too Much Debt

Officials of government and industry can stop the spiraling national debt, at all levels, anytime they want to do so.

Our nation's entire economic life has become credit intensified. This has and does contribute more to inflation than any single element. Intensified credit began with world war II.

Prior to world war II, the federal and state governments could borrow money for around 3 % interest. Consumers could borrow money at 4 % to buy a house or a car. Home furnishings, could be bought in any reliable store and paid for within one year, without debt service cost to the consumer. Those that did charge interest, made it available at 6 %. Reliable financial institutions did not loan you the money without knowing you had the ability to pay it back. Today, the retail store lenders could care less about whether or not you have the ability to pay your bills. Before world war II, I didn't know anyone who bought clothes on credit. Today those who can least afford it do so. A large percentage of their debt ends up being paid for by other consumers through inflated prices. Today consumers products cost more than 50 % more than they should, because of the debt operated economy. If equity capital were the rule, this highly inflationary waste would be eliminated. Retailers push credit to the hilt because they make a large profit on it.

The familiar credit card is perhaps the greatest rip off of the consumer in the whole field of credit. Credit cards seem to be a status symbol. At least that is what the television advertising tries to make them. And of course no respectable store would think of doing business without covering their front entrance with several of these devices to create legalized robbery. The irony of the credit card rip off is that few people really

have any idea of what they cost the consumer. Let us just examine this briefly. The normal charge to the retailer for credit card service is six (6 %) percent of the sale. The credit card company is supposed to collect the cost of the sale from the consumer and remit to the retailer each month. This means of course that the retailer is paying the credit card company a whopping seventytwo (72 %) percent interest on the credit of its customers. And of course the customer is the one that pays that 72 % interest. But additionally, the credit card company does everything it can to encourage the consumer not to pay the bill at the end of the month. Where the consumer is stupid enough not to pay the bill, the credit card company charges him another eighteen (18 %) percent interest on the unpaid balance. Of course the credit card company is careful to tell the consumer that the credit is only costing him one and onehalf (1½ %) percent interest per month. And that isn't the bottom line of this ripoff yet. The consumer who pays cash in the retail establishment is paying for the markup on the store's items, without using the credit. And of course this credit simply fuels inflation and reduces the standard of living of the consumer.

Regulation of credit card companies in a meaningful way is long overdue. One of the first steps should be a requirement that any retail store who uses credit cards for credit to customers, or who otherwise charges the customer for credit, must reduce the cost of items sold for cash in an amount equal to the cost of the credit.

The job of lending money should be returned to the regulated financial institutions. Retailers should not be permitted to profit by generating credit from their customers. Financial institutions should not be permitted

to pay retailers for generating credit for them. This will do much to stop the impact of credit on run away inflation.

Equity Capital

Before world war II most businesses were built with and run on equity capital. Today about one-fourth of all businesses have been built with and run on debt financing. Debt operation has become the way of life of most businesses. The cost of debt to the supplier of raw materials is passed to the manufacturer. The manufacturer passes this plus his debt financing to the distributor. The distributor adds on his debt financing and passes them on to the retailer. Of course the retailer adds on his debt financing to the cost to the consumer. The consumer pays all these financing charges and in most instances uses credit to buy. The end result is that the consumer pays more than fifty (50 %) percent for the product than he should. Let us view this inflationary drive of debt operation by a hypothetical example:

Farmers cost of raising beef to 1,000 Lbs.	\$400.00	
" " " borrowing \$400 @ 10%	<u>40.00</u>	
" total cost (no labor)		\$ 440.
Feeder buys from farmer	440.00	
" spends for feed to fatten to 1,250 Lbs.	100.00	
" borrows \$540 at 10%	<u>54.00</u>	
" total cost (no labor)		594.
Processor buys from feeder	594.00	
Processors costs	100.00	
" " of borrowing \$694 @ 10 %	<u>69.40</u>	
" total cost		763.40
Supermarket buys from Processor	763.40	
" borrows 763.40 @ 10 %	<u>76.34</u>	
	\$839.74	

The cost of borrowing money on the farmers 1,000 Lb beef valued at \$400 was \$40 plus \$54 plus \$69.40 Plus \$76.34 for a total of \$239.74. This is a whopping fiftynine (59 %) percent of the farmers \$400 beef. Without considering profit on the beef or profit on the borrowed money, the cost of this beef to the consumer is increased by 59 %, through debt operation.

This means that through debt financing this beef will cost the consumer more than 29¢ per pound - more than it should. This simply means that the consumer has had his standard of living reduced. In many instances it means he can no longer buy beef. The insipience of debt on the consumers costs and its tremendous drive for inflation is clearly demonstrated. This demonstrates clearly that business should be required to operate primarily on equity capital. They should be permitted to use debt for operation only in emergencies. In such emergencies they should not be permitted to create debt operations in excess of ten (10 %) percent of their equity. To accomplish this essential goal it is essential that cost of debt in excess of 10 % of equity ~~not~~ be allowed for income tax purposes. Where debt operation is currently in excess of 10 % of equity, such debt should be reduced by at least 10 % per year. Where this is not done, no deduction should be permitted for this expense in figuring income.

For purposes of lowering consumer debt and correcting the abuses attendant thereto, and additional safeguard is essential. The cost of bad consumer credit needs to be figured in the Anti Inflation Index. Poor consumer credit should be required to be reduced by not less than 10 % per year for each business. Where lending institutions fail to meet this reduction, they should not be permitted to use the cost of that portion of the poor consumer credit for income tax purposes. All monies generated through the correction of these debt malpractices shall accrue to the Anti Inflation Fund., which shall be used exclusively to reduce the national debt.

Too Much Debt

Our national debt must be drastically cut.

The total national debt stands at about \$2.5 trillion, and is growing

at the mind boggling rate of \$200 million per day. (Business Week, Nov. 1974). Let us try and put this horrendous debt together in terms that could show what it does to inflate the economy.

The National Debt*			
Debt owed by	Amount of debt	Debt cost	Yearly debt cost to consumer.
Corporations	\$1 trillion	8 %	\$80 billion
Mortgage	600 billion	7	42 "
Federal govt.	500 "	7	35 "
State & local	200 "	7	15 "
Consumer	200 "	18	36 "
	<u>\$2.5 trillion</u>		<u>\$207 billion</u> *Business Week.

This total national debt of \$2.5 trillion is the responsibility of each citizen of the nation. It must be paid by the about 80 million gainfully employed. This represents a debt of about \$31,000 for each of the gainfully employed, not the unemployed. This debt represents payment of taxes for the Federal, state and local government portions of the debt, Mortgage payments for the mortgage portion and interest payments on the consumer portion plus principal and higher prices on the corporate debt portion. But remember, this debt is growing at the rate of \$200 million daily. And the current service charge yearly is \$207 billion. This is more than \$2,500 per year for each gainfully employed worker.

Have our national leaders ever given any thought as to where the money must come from to pay the yearly service charge on the national debt? Have they ever given any thought to who is going to pay such a debt? It would seem that our national leaders in government and business expect to wake up some morning and there will be no more problem. It is obvious that a yearly debt service payment of \$2,500 for each gainfully employed worker means that his standard of living is reduced by that amount.

This is a horrible predicament that our economy has been put in by our leaders. Perhaps the most horrible part is that they refuse to do anything about it, that is, except to see that it grows at the rate of \$200 million per year. Where will it end? It should be obvious to anyone with an ounce of brains that this problem must be solved. To permit this debt to continue can only result in the collapse of our money. No one can accurately predict the economic chaos attendant therero. Unemployment, bank failures, foreclosures and hunger are certainly the more obvious results of continued inflation. The end of the road prospect is the total collapse of our government - as a very real end product of inflation.

Excessive Interest Rates

Interest rates on borrowed money are at an all time high. Yet they continue high because of the inflation which they fuel. For example a one (1 %) percent increase in the interest rate adds another \$25 billion to the cost of servicing the national debt. It adds \$5 billion to the yearly service charge on the federal debt. And of course these billions of dollars come out of the pocket of the workers.

Prior to getting on the administered inflation kick which threatens to destroy us, the federal government paid about three (3 %) percent interest on its borrowings. How do we get back there? First by reducing the debt of the federal government. This must be accomplished by a firm law which prohibits any administration from spending more than ninety (90 %) percent of the yearly revenues of the government. Stop rolling the federal debt over on short term basis - except where to do so will result in lower interest rates. Generally rolling over debt increases the interest rate because of the added pressure put on the money market. If we could obtain a three (3%) percent interest rate for the federal government today we would reduce the cost of service on the federal debt by about \$20

billion dollars per year. Just think of all the good things that \$20 billion could do to improve the nations health and education. And remember that the \$20 billion is total waste at present. Just a big juicy subsidy for the money lenders. It doesn't provide any product or service to the workers who pay it. And of course this same analogy applies to the entire national debt.

Debt reduction is a requisite for our nations economy. It is essential to the consumer, the federal government, state and local governments and businesses.

Since debt is the greatest contributor to inflation it must be reduced by effective action, firmly applied. The steps suggested herein above will do the job. Methods short of this will not. Remembering that inflation can and will destroy our nation, we cannot afford to attack it with meaningless rhetoric. Debt requires an attack at all levels of our economy and our society. It requires W A R - on debt, by all of us.

Inadequate Resources Management

The air, water, land, and everything therein and thereon are the worlds natural resources. They can be wasted by natural causes. They are being wasted and abused by people. It behooves the people to stop both the waste and the abuses. Our leaders can solve our long term resources needs, whenever they wish to do so.

It is generally agreed by knowledgeable people from other nations, that Americans are the most wasteful people on earth. To a large extent this has been a reflection of our wealth of natural resources. We can no longer afford the luxury of being wasteful.

Clearly we need a comprehensive energy program. The depletion of our land through misuse and erosion has reached astronomical proportions which cry out for correction. The turning of recycleable materials into trash heaps is a glaring waste of resources. The fouling of our air and water continue at unprecedented pace. This waste and contamination is part and parcel of the inflation kick which we have been on since world war II.

Energy

In the energy field we need to stop burning two of our most versatile commodities, petroleum and coal. Petroleum, the most versatile resource found to date is closely followed by coal. Scientists consider it criminal that we burn these products. Future generations will certainly condemn us for so doing.

Currently the oil producing countries have the rest of the world on its economic knees. Additionally they are to a large degree dictating the foreign policy of the highly industrialized and the emerging nations. We are importing six million barrels of petroleum daily, 2.2 billion barrels per year. For this we are presently being overcharged about \$8 per barrel, or \$17.5 billion yearly. This money should be used to develop a source of energy for all time - now and the future. This energy source is Hydrogen, the most abundant element on earth. This \$17.5 billion yearly payout is a complete drain on our economy. This drain represents complete inflation.

The nation is consuming more than 400 billion barrels of domestic petroleum daily. The consumer is currently paying about \$3 a barrel in inflated profits for this petroleum. This is a staggering \$2 trillion per year. Since the bulk of this tremendous profit to the petroleum cartel is nonproductive, it is a super heater for our inflated economy. With only a small portion of these wasted monies committed to making

hydrogen available economically, we could solve for alltime the energy needs of the world. At the same time we would free ourselves and the rest of the world from the blackmail of the oil producing countries. But perhaps more importantly we could stop destroying these valuable hydrocarbons - oil and coal.

The destruction of these hydrocarbons by burning is by itself enough to require that we proceed full speed with PROJECT HYDROGEN. This hydrogen project should have a priority as important as the world war II Manhattan Project. The staggering \$1.2175 trillion infusion of our inflation certainly removes all questions of whether we can afford it. Clearly we can not afford not to proceed with Project Hydrogen, without further delay. Hydrogen is now being produced. It is not being produced economically or in the quantities that is required to fill our or the worlds energy needs. Hydrogen is the most plentiful element on earth. Hydrogen is self renewing. Hydrogen is the most polution free energy source known to science. Hydrogen is the energy source for now and all future generations.

Why isn't hydrogen being produced in quantities and at prices which will replace atomic energy, coal and petroleum? Simply because these energy sources are controlled by our giant industries, who are determined to use them all up, before developing a better energy source. Project Hydrogen must be a United States government project, completely independent of the other federal agencies in the energy field. This because the current energy programs are completely controlled by the petroleum industry. The petroleum industry which controls our governments energy policy, are not about to give up their waste of present energy sources.

Project Hydrogen is already late, it must be started now.

Next in importance to the Hydrogen Project, is the short range conservation of energy. Today the consumer has been the prime one urged to consume energy. This is political rhetoric. The households of the nation are not the wasters of energy. They can't afford to be, they have to pay inflated prices for it. The energy wasters are first industry, then government. Government installations are consistently overheated in the winter and overcooled in the summer. It is not uncommon to find windows open in government buildings in the summer to warm the rooms up and in the winter to cool them down.

Business is even more wasteful. It is possible to cite many examples of energy waste by business. One which the general public witnesses daily in the nation's supermarkets. They keep the temperature so cold in the summer that their working employees must wear coats on the job. Their customers are of course too cold while shopping. This is the result of poorly designed refrigerated spaces. In the winter these refrigerated spaces are constantly requiring more heat from the heating system to keep the temperatures bearable in these stores. Enough heat goes up the smoke stacks of our electric generating companies and the nation's steel mills to provide the nation with all of its stationary energy needs. These are the areas where energy needs to be saved and more efficiently used.

Business should be required to conserve energy, pending the development of Hydrogen from water as a fuel. Using the Anti Inflation Index, each business and the government installations should be required to reduce the consumption of energy, on the average of five (5 %) percent per year. Government officials who cannot do this should be fired. Monies saved by business through reduction in energy should be kept - tax free - by the

Company. Companies which do not reduce their energy requirements by at least five (5%) percent per year should not be permitted to use the cost of such wasted fuel as an expense for income tax purposes. Monies from this source of income would accrue to the Anti Inflation Fund, and would be used exclusively to reduce the debt of the federal government.

Sewage and Garbage

Our cities dump billions of tons of valuable humus, in the form of sewage, and garbage in our waters and on our land annually. Some cities even burn these valuable resources. This is an unexcuseable waste of a valuable resource. At the same time this is the greatest pollution we have of our air water and land. This also creates breeding grounds for disease and vermine. Methane gas produced from the sewage and garbage of our cities could reduce the use of other energy sources substantially. At the same time pollution of our water and air would be reduced more than by any other single step. The humus which remains after gas is produced should be returned to our land to reverse the destruction of our soil.

Local governments should be required to use these resources for the production of much needed energy and humus for return to the soil. This meaningful program could reduce the costs of garbage and sewage disposal. of greater importance it will help control inflation and waste for future generations.

Communities which do not convert their sewage and garbage to humus would pay one (\$1) dollar per ton for such waste to the Anti Inflation Fund. Monies so derived would be used exclusively in furtherance of recycling these wastes and pollutants.

Land Use

Millions of acres of land in the nation are not being used for the production of any commodity today. Yet most vegetable, feed, industrial and timber crops are in short supply. It has been reliably estimated that by the year 2,000, we will require a doubling of crops other than timber. To meet the needs for forest products a tripling of present day acreage is indicated. Yearly more and more acreage is taken out of production because of depletion of the soil through the use of chemical fertilizers. Protein content of edible products continue to decline for the same reasons. The soil is eroding at a tremendous rate. This erosion is multiplying because of the continued abuse of our soil. Additional thousands of acres have been made wasteland through poor mining methods. We have possessed the know how for several generations to halt this inexcusable waste. Yet government and the agri-industry continue to foster it. This waste of this natural resource damages our air, rivers, lakes and streams. It adds to the inflation offensive that has engulfed us, by creating ever higher prices for the products which are grown. The wasting of our soil is not only the concern of or the problem of those who own it. This irreplaceable resource is the concern of all the people. The depletion of our land through misuse and erosion affects every citizen - now - and for all future time. We require a national land use policy and program to protect this valuable resource. Wasting of the soil can be corrected by returning the humus to soil from the sewage and garbage that the methane gas is produced from. This will prevent the waste of this valuable asset. Too, it will stop the pollution of our air, land and water. Humus will convert non productive soil into highly productive land. Soil which is badly eroded or eroding

Will have the process arrested by the application of the humus which is now a pollutant.

Millions of acres of our land is not suitable for crops, other than trees. This land should be planted in suitable trees. This will require a massive tree raising and planting program. The saving of the land for our future generations, the need to produce more trees, the urgency for preventing soil depletion, the return of moisture to the soil and its retention by tree covered land, plus the need to reduce inflation from the misuse of our land resources all dictate such a program.

Under a national land use program the federal government would distribute humus made available by our cities, to the landowners (farmers and others) for application to their land. The government would undertake a program of furnishing trees to landowners for planting on the lands which are not suitable for other crops. Landowners who do not carry out the land use program would be required to pay one (\$1) dollar per acre per year into the Anti Inflation Fund. These monies would be used exclusively in furtherance of the land use program.

Recycleing

We are no longer a nation with unlimited resources. We do have sufficient land for our present and future needs - if properly utilized and cared for. Recycleing of garbage and sewage to our lands is an essential part of conserving our resources. An important by product of this program is the reduction in the use of commercial fertilizers. These fertilizers require tremendous quantities of energy to manufacture. The reduction of energy use could be quite significant through the proper utilization of our humus resources.

Too much of our used metals, glass and paper are being dumped on land or being burned. This waste of these recycleable resources pollute our air, land and water. It has been suggested that future generations will be required to scavenge these landfills to reclaim these resources to meet their basic need for raw materials.

Manufacturers should be required to develop national programs for reclaiming materials from their products. The reduction in waste which will result from such programs will greatly reduce the cost of trash disposals by local jurisdictions. This will end the pollution of our air, land and water. More important, it will greatly reduce our requirement to import large quantities of many raw materials. Where local jurisdictions continue to collect recycleable trash, the manufacturers of such items will be required to pay therefor the cost of handling such items. In addition a charge of ten (10 %) of the charge which is made by the refuse company shall be paid by the manufacturer to the Anti Inflation Fund. The moneys collected by the Anti Inflation Fund shall be used exclusively in reduction of the federal governments debt.

Government Agencies

Many current government administrative activities promote inflation. This could be controlled by the government officials which control the administration of our nations laws. The federal government is administering a number of programs in a manner which assures inflation.

Short term roll over of the federal debt puts pressure on the money market. Except where lower interest rates result, roll over of the debt should be stopped. The practice of roll over - generally is inflationary.

Basically this is a subsidy to the money lenders. Certainly it is expensive to the taxpayer and should be stopped. It can be ended at any time the President seriously decides to fight inflation.

Anti monopoly laws have gone unenforced for too many years. This has resulted in the replacement of competition with administered prices. Interest rates, gasoline prices, food prices and automobile prices are some of the clear examples of no price competition. Price competition has simply disappeared from most of the retail market. This lack of law enforcement fires the inflation furnace. These fires require complete dampening.

Agencies of the federal government are "required" to let contracts on federal programs through competitive bidding. Frequently the bid guidelines are drafted by government in a manner which inflates the cost of the end product. Often bids are awarded after "competitive" bidding in such a manner that permits the "low bidder" to escalate the costs far in excess of the high bidder, who failed to get the contract. This practice is often used to reward firms who are "friends" of the agency, the political party in the white house or some other politician. The net result is escalated costs of government, corruption and the fueling of inflation. Another very bad practice is the method of bidding on leases of government controlled petroleum, lumber, mining, etc. This bidding is rigged to require very large capital outlays for the right to exploit the property. In this process the government encourages large interests to pool their resources, thereby violating our anti trust laws. The practice also keeps control of these resources and the policies which are supposed to protect the people - in the hands of the large corporations. An equitable way to lease these lands would be to have bidders show what percent of the profits from exploiting the lease would come to the federal government. This would

Permit smaller firms an opportunity to participate. It could permit the government to regain control of the policies which affect these resources. The President has the power at present to correct these inflationary, sometimes unlawful practices. He can correct this at any time he decides to fight inflation.

Multi Purpose Programs

Multi purpose programs, properly administered, are most likely to result in the best programs for government agencies involved. Where industry is involved, the most economical and efficient programs can result for both government and industry. Such programs normally result in the best utilization of the tax dollar.

The United States government embarked on its first multipurpose program with the passage of the 1936 Merchant Marine Act. The purposes were to assure the nation, United States flag ship to meet its export import requirements, build the nations foreign commerce, assure adequate transport for emergency requirements, help to maintain peaceful contacts with other peoples and contribute to the international balance of payments. After doing this job through world war II it was scrapped by the administrative branch of our government. However, the basic principal is very sound. When properly administered the purposes are accomplished at the least cost to each goal, as well as the taxpayer and any companies involved.

The Russians, considered this policy good enough to embrace it with vigor and to apply it wherever conditions will permit. No Russian program is approved today which has not been fully examined as to its multi purpose possibilities.

Reduction in the costs of such programs to government and industry are anti inflationary. Multi purpose impact studies should be made in con-

nection with every government program, to determine where they are possible and desirable.

Medicare is a case of a multi purpose program which is mal administered. When Medicare became law, doctors and hospitals increased their costs so that Medicare payments were added to their then regular charges. This should not have been permitted in the first instance. The roll back of this inflationary practice is essential to the anti inflation fight. Along with this mal practice we have a degeneration in hospital and medical care. Doctors which do not accept medicare payments as satisfying their total bill should be denied Medicare payments to their patients. Review Boards need to be established, consisting of those who receive medical and hospital care, to reduce the hospital loads and the operation mal practices. Where Health Maintenance Organizations have been established, the evidence is that hospital time is reduced by about fifty (50%) per cent and the number of operations by about the same percent. These mal practices are inflationary. They do great harm to the Medicare program. These mal practices can be stopped by the President and the Congress - at any time they wish to do so.

Regulatory Agencies

"Regulatory" agencies of the federal and state governments, have become cost plus advocates for the companies which they are supposed to regulate in the interest of the consumer. In the main these commissions have become excuses for inflated capital investment, incompetent wasteful management and an instrument for passing unnecessary inflationary prices along to the consumer. So long as this condition exists, utilities and transportation companies will continue their inflationary policies of higher - ever higher prices, excessive waste of fuel and poorer service to the

consuming public.

During the past year there has been great encouragement from the representatives of the petroleum industry, who hold high government jobs, for these commissions to disregard their responsibilities to the consuming public, in favor of higher profits for the companies. Either the President or the Congress can put a stop to this inflationary process at any time they wish to do so.

Occasionally a new company tries to buck the drive for higher and higher prices which "regulated" companies and the commissions foster. An example is the United Parcel Company. Started to give the consumer a better delivery service for less money, it has had phenomenal growth. Instead of helping such a company, the regulating agencies are throwing every road block they can in their path. This they do in order that they may try to justify the approval of higher and higher profits for the other companies which they are supposed to regulate. Let me give an example.

Recently a fifteen pound carton of synthetic lubricant was shipped to me in Bethesda, from New York, over REA Express. The lubricant was paid for in advance and \$3.50 was included to cover transportation. The package could have been shipped parcel post for \$1.73 or United Parcel for \$1.66. The package was delivered to my house three days after being shipped from New York. We were not at home when REA Express brought the package. We could not have accepted delivery of the package had we been at home and even if the billing was correct. REA Express left a notice that they had tried to deliver the package and that the COD charges were \$110.07, and that such charges would have to be paid in cash. After innumerable telephone calls and several letters, REA Express delivered the package with the

COD eliminated, but with an express bill for \$18.81. The difference in the charge which United Parcel would have made \$1.66 and the \$18.81 REA bill - represents the "protection" which the Interstate Commerce Commission gives the consumer.

These "regulatory" agencies must be required to do a 180° turn and start making their decisions in the public interest. They should require ever improving service, lower prices, lower consumption of energy and other resources with less pollution. The super inflationary activities of these agencies have nothing to do with fair return on equity capital. They are fired by inflationary greed. This same zeal which is directed at hyper inflation, cries out for anti inflationary surgery. These commissions should be required to examine the Anti Inflation Index with respect to every cost factor of these companies. They should require a constantly lower capital investment and energy use for each unit of service delivered to the consumer. If this is pursued vigorously at the federal level, this will begin to have effect at the state and local level. Both the President and the Congress can do this job.

Empire Building

Empire building is inflationary. Special efforts to spend all appropriated monies is inflationary. A continuing effort goes on in the federal agencies to build up that agencies responsibilities somewhere along the line. Normally this is done to get someone a higher paying job. How successful this is can easily be measured, by the tremendous increase in the super grades and the exultation of job classification generally.

It is a rare instance when an agency spends less money than was appropriated to it. It is not uncommon before the end of the budget year to find someone going around trying to invent ways to spend all the money which was appropriated. These inflationary practices can be controlled by

hireing competent people. Certainly it is an essential part of government to have employees display a positive and conscious effort to create savings in appropriated funds. A little leadership is required to get this type of good administrative practice put in vogue. However, it would seem to me that this is not asking too much of government employees who are responsible for protecting the taxpayers dollars. This is a primary job of the President. He can do it if he is really interested in fighting inflation. Congress also has a responsibility in seeing to it that this type of waste is eliminated.

Consumers Agency Law

There have been consumers representatives in several government agencies in past years. Most of these were suspended, when it was found by the agency that the public interest and their inflationary programs were not compatible. While today the opponents of the consumers agency have developed a variety of statements against such an agency, their opposition is basic to the fact that they are opposed to anti inflation programs in government. Consumers want the most effecient government operation, at the least cost to the consumer. This simply does not conform to what the government burecat has been taught since the end of world war II - that he is a failure if he cant increase his budget yearly, hire more people and do less work.

One of the surest ways to get government agencies turned to a conscious anti inflation program is the passage and signing into law of the Consumers Agency bill. Such an agency could develop policy and program which existing agencies should use on a continuing basis to make the administrative branch of government truly anti inflationary in purpose. A guiding principal of each government agency should be - use it up, wear it out - make it do.

This law has still to be adopted by the Congress. Primary opposition to it of course comes from those who do not want the consumer to have a break. This opposition is from industry and government representatives, who basically are inflation oriented. The President could get this bill enacted into law by simply coming out stron for it.

Subsidies

Non productive unessential subsidies must be stopped. Subsidies are made directly, by grant or through unenforced laws and regulations covering business. Requireing the taxpayer to support corporate incompetence, mismanagement and unlawful acts by these subsidies to industry should be brought to a grinding halt. Subsidy for tobacco is a national disgrace. This disgrace is that of the Congress. Subsidy for the nations money lenders has been a primary primer of inflation. This subsidy has helped get us the highest interest rates in our history. These same interest rates have done and are doing more to fire inflation than anything else. These subsidies which are non productive and unessential and against public interest could not exist in our country if we were able to elect all of our office holders, without the corrupting influences of our present elective system.

Congress Promotes Inflation

Congressional activities promote inflation within the separate offices of congressmen and the committies. Many members of congress spend most of their time - getting elected; working for their staff; for their personal gain; acting for those who contribute most to their campaigns and last and least for the people they were elected to represent. This is a harsh statement. It will enrage many congressmen, especially those to which it applies most accurately. I am convinced however that it is basically true. Unfortunately this condition is not the fault of the congressmen.

It is the fault of the system which we have set up and corrupted - all of us. This has resulted in the employment of staff to perform "made jobs", a further corruption of the election processes and the failure to do the job for which elected. That is the passage of laws which meet the needs of the people, and the seeing to it that the laws are implimented as intended. The result has been a strong inflationary enviornment in congress.

Prior to world war II the staff of the members of the house averaged no more than four persons. The senate staff averaged about six. Committee staff averaged about five per committee. One only need to peruse the directory to see what has happened to the growth of staff. There are today some Senators offices and some committies with as many personnell as the entire senate was run with in 1941 - when world war II beagn.

The answer is simple. The rules of both houses provide that staff do work of the body only. The rules do not provide for jobs which do nothing. They do not provide for jobs which are not directly related to serving the electorate.

Can any congressman look at the national debt and say that the congress has served the people well since world war II? Can any congressman in the fact of the rocketing \$200 million per day increase in the debt since world war II, ~~and~~ believe that he is serving the people who elected him.

If what has been said herein above shocks you, that is good. It means that you will dig deeper. That you will come to realize just how serious the problem of government and industry leaders continuing on a n inflation course is. Realizing the seriousness, you will want to do something about it.

Political Reform

Our present political system cannot continue, with the present built in

Corruptable influences.

In July of 1971 I developed a program to free our politicians from the built in tendencies of corruption of ur present system. This was prior to Watergate. This suggested program was based on the assumption that the expense of electing political office holders urgently requires change. Skyrocketing costs of elections have transformed the role of the candidate. Today his primary efforts must be directed toward raising tthe money to pay for his election. Serving the electorate has become incidental to the money raising task. In this process the Candidate has been forced to be, at best, a panhandler or a beggar. In some instances he becomes corrupt and violates laws he is sworn to uphold. Increasing needs for excessively larger sums for election costs have the effect of encouraging corruption. Eventually, the exorbitant election costs will ~~CRUSH THE MORALS~~ of all elected officials. Corruption will become the rule instead of the exception. The electorate owes the office seeker and itself a better future. Constantly skyrocketing costs plus the inherent corruption , will eventually destroy our present system of elections. It behooves those who want honest public office holders to find a way to assure continued honest elections, and office holders.

To develop a broadbased program of election reform and support for it, I suggested the establishment of an Election Reform Organization, to be composed of those organizations and persons who favor essential election reforms. I felt that the best chance of getting such reforms enacted into law, lay in a broad based coalition. I still do. I did not ectpect then, and I do not expect today that the Congress will reform elections signifi- cantly without a very well organized public insisting on it. Electoral

reform is the responsibility of everyone, congress and the general public.

The law passed in 1974 on political campaigns is a beginning. Personally I consider it a very weak beginning. Pushing of meaningful political reform programs is essential to a continuation of our form of government. Many essential anti inflationary actions are not possible by government, until and unless the elected office holder is free of the present degrading system, and is responsive to the needs of the electorate. (Based on my 1971 proposal, President Nixon proposed legislation to congress. His proposal called for a small commission - as opposed to a commission of representatives of all organizations with a real interest).

Conclusion

This is a broad based anti inflation proposal. The suggestions go to the core of the inflation problem. That core is the fact that our leaders, government and business, have been on an inflationary drive since world war II. Inflation has become a way of life. In some instances, I doubt that they realize that their daily actions contribute to inflation. The anti inflation program cannot be won with half measures. It cannot be won by increasing taxes so that government can continue to increase spending. Inflation can be licked by cutting government back to the essentials, by reducing spending, by not spending more than ninety percent of income, by reducing and eliminating debt, by reducing the interest rates, by eliminating debt operations of government and business. The war against inflation will be won by a redirection of the policies and programs of officials of government and industry. It will be won when these officials make up their mind that inflation is dangerous - and will destroy us. It will be won when government and industry officials display concern for their nation and its people. That time should be NOW.

For release on delivery
Friday, September 19, 1975
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The Real Issues of Inflation and Unemployment

Address by

Arthur F. Burns

Chairman, Board of Governors of the Federal Reserve System

at the Blue Key Honor Society Annual Awards Dinner

The University of Georgia

Athens, Georgia

September 19, 1975

I am pleased to be here at the University of Georgia and to have the opportunity to address this distinguished audience. Tomorrow promises to be an exciting day for you, and you will need all the rest you can muster. I shall therefore not waste many words as I share with you my concern about our nation's future.

Our country is now engaged in a fateful debate. There are many who declare that unemployment is a far more serious problem than inflation, and that monetary and fiscal policies must become more stimulative during the coming year even if inflation quickens in the process. I embrace the goal of full employment, and I shall suggest ways to achieve it. But I totally reject the argument of those who keep urging faster creation of money and still larger governmental deficits. Such policies would only bring us additional trouble; they cannot take us to the desired goal.

The American economy has recently begun to emerge from the deepest decline of business activity in the postwar period. During the course of the recession, which began in late 1973, the physical volume of our total output of goods and services declined by 8 per cent. The production of factories,

mines, and power plants fell even more -- by 14 per cent.

As the over-all level of economic activity receded, the demand for labor rapidly diminished and unemployment doubled, reaching an intolerable 9 per cent of the labor force this May.

The basic cause of the recession was our nation's failure to deal effectively with the inflation that got under way in the mid-sixties and soon became a dominant feature of our economic life. As wage and price increases quickened, seeds of trouble were sown across the economy. With abundant credit readily available, the construction of new homes, condominiums, and office buildings proceeded on a scale that exceeded the underlying demand. Rapidly rising prices eroded the purchasing power of workers' incomes and savings. Managerial practices of business enterprises became lax and productivity languished, while corporate profits -- properly reckoned -- kept falling. Inventories of raw materials and other supplies piled up as businessmen reacted to fears of shortages and still higher prices. Credit demands, both public and private, soared and interest rates rose to unprecedented heights. The banking system became overextended, the quality of loans tended to deteriorate, and the capital position of many banks was weakened.

During the past year many of these basic maladjustments have been worked out of the economic system by a painful process that could have been avoided if inflation had not gotten out of control. As the demand for goods and services slackened last winter, business managers began to focus more attention on efficiency and cost controls. Prices of industrial materials fell substantially, price increases at later stages of processing became less extensive, and in many instances business firms offered price concessions to clear their shelves. With the rate of inflation moderating, confidence of the general public was bolstered, and consumer spending strengthened. Business firms were thus able to liquidate a good part of their excess inventories in a rather brief period. Meanwhile, as the demand for credit diminished, tensions in financial markets were relieved, and the liquidity position of both banks and business firms generally improved.

These self-corrective forces internal to the business cycle were aided by fiscal and monetary policies that sought to cushion the effects of economic adversity and to provide some stimulus to economic recovery. On the fiscal side, public employment programs were expanded, unemployment insurance

was liberalized, and both personal and corporate income taxes were reduced. On the monetary side, easier credit conditions were fostered, resulting in lower interest rates and a rebuilding of liquidity across the economy.

With the base for economic recovery thus established, business activity has recently begun to improve. Production of goods and services turned up during the second quarter and is continuing to advance. The demand for labor has also improved. Both the number of individuals at work and the length of the workweek are rising again, and unemployment has declined three months in a row. Retail sales have risen further, and of late residential construction has joined the recovery process.

Along with these favorable developments, however, some ominous signs have emerged. Despite an occasional pause, inflation once again may be accelerating. By the second quarter of this year, the annual rate of increase in the general price level was down to 5-1/2 per cent -- about half the rate of inflation registered in the same period a year earlier. But over the summer, prices began to rise more briskly.

This behavior of prices is particularly worrisome in view of the large degree of slack that now exists in most of our

nation's industries. Price increases in various depressed industries -- aluminum, steel, autos, industrial chemicals, among others -- are a clear warning that our long-range problem of inflation is unsolved and therefore remains a threat to sustained economic recovery.

History suggests that at this early stage of a business upturn, confidence in the economic future should be strengthening steadily. A significant revival of confidence is indeed underway, but it is being hampered by widespread concern that a fresh outburst of double-digit inflation may before long bring on another recession. By now, thoughtful Americans are well aware of the profoundly disruptive consequences of inflation for our economy. They also recognize that these consequences are not solely of an economic character. Inflation has capricious effects on the income and wealth of a nation's families, and this inevitably causes disillusionment and discontent. Social and political frictions tend to multiply, and the very foundations of a society may be endangered. This has become evident in other nations around the world, where governments have toppled as a result of the social havoc wrought by inflation.

If we in the United States wish to enjoy the fruits of a prosperous economy and to preserve our democratic institutions,

we must come to grips squarely with the inflation that has been troubling our nation throughout much of the postwar period, and most grievously during the past decade.

A first step in this process is to recognize the true character of the problem. Our long-run problem of inflation has its roots in the structure of our economic institutions and in the financial policies of our government. All too frequently, this basic fact is clouded by external events that influence the rate of inflation -- such as a crop shortfall that results in higher farm prices, or the action of a foreign cartel that raises oil prices. The truth is that, for many years now, the economies of the United States and many other countries have developed a serious underlying bias toward inflation. This tendency has simply been magnified by the special influences that occasionally arise.

A major cause of this inflationary bias is the relative success that modern industrial nations have had in moderating the swings of the business cycle. Before World War II, cyclical declines of business activity in our country were typically longer and more severe than they have been during the past thirty years. In the environment then prevailing, the price level typically

declined in the course of a business recession, and many months or years elapsed before prices returned to their previous peak.

In recent decades, a new pattern of wage and price behavior has emerged. Prices of many individual commodities still demonstrate a tendency to decline when demand weakens. The average level of prices, however, hardly ever declines. Wage rates have become even more inflexible. Wage reductions are nowadays rare even in severely depressed industries and the average level of wage rates continues to rise inexorably in the face of widespread unemployment.

These developments have profoundly altered the economic environment. When prices are pulled up by expanding demand in a time of prosperity, and are also pushed up by rising costs during a slack period, the decisions of the economic community are sure to be influenced, and may in fact be dominated, by expectations of continuing inflation.

Thus, many businessmen have come to believe that the trend of production costs will be inevitably upward, and their resistance to higher prices -- whether of labor, or materials, or equipment -- has therefore diminished. Labor leaders and workers now tend to reason that in order to achieve a gain in

real income, they must bargain for wage increases that allow for advances in the price level as well as for such improvements as may occur in productivity. Lenders in their turn expect to be paid back in cheaper dollars, and therefore tend to hold out for higher interest rates. They are able to do so because the resistance of borrowers to high interest rates is weakened by their anticipation of rising prices.

These patterns of thought are closely linked to the emphasis that governments everywhere have placed on rapid economic growth throughout the postwar period. Western democracies, including our own, have tended to move promptly to check economic recession, but they have moved hesitantly in checking inflation. Western governments have also become more diligent in seeking ways to relieve the burdens of adversity facing their peoples. In the process they have all moved a considerable distance towards the welfare state.

In the United States, for example, the unemployment insurance system has been greatly liberalized. Benefits now run to as many as 65 weeks, and in some cases provide individuals with after-tax incomes almost as large as their earnings from prior employment. Social security benefits too have been

expanded materially, thus facilitating retirement or easing the burden of job loss for older workers. Welfare programs have been established for a large part of the population, and now include food stamps, school lunches, medicare and medicaid, public housing, and many other forms of assistance.

Protection from economic hardship has been extended by our government to business firms as well. The rigors of competitive enterprise are nowadays eased by import quotas, tariffs, price maintenance laws, and other forms of governmental regulation. Farmers, homebuilders, small businesses, and other groups are provided special credit facilities and other assistance. And even large firms of national reputation look to the Federal Government for sustenance when they get into trouble.

Many, perhaps most, of these governmental programs have highly commendable objectives, but they have been pursued without adequate regard for their cost or method of financing. Governmental budgets -- at the Federal, State, and local level -- have mounted and at times, as in the case of New York City, have literally gotten out of control. In the past ten years, Federal expenditures have increased by 175 per cent. Over that interval, the fiscal deficit of the Federal Government,

including government-sponsored enterprises, has totalled over \$200 billion. In the current fiscal year alone, we are likely to add another \$80 billion or more to that total. In financing these large and continuing deficits, pressure has been placed on our credit mechanisms, and the supply of money has frequently grown at a rate inconsistent with general price stability.

Changes in market behavior have contributed to the inflationary bias of our economy. In many businesses, price competition has given way to other forms of rivalry -- advertising, changes in product design, and "hard-sell" salesmanship. In labor markets, when an excessive wage increase occurs, it is apt to spread faster and more widely than before, partly because workmen have become more sensitive to wage developments elsewhere, partly also because many employers have found that a stable work force can be best maintained by emulating wage settlements in unionized industries. For their part, trade unions at times seem to attach higher priority to wage increases than to the jobs of their members. Moreover, the spread of trade unions to the rapidly expanding public sector has fostered during recent years numerous strikes, some of them clearly illegal, and they have

often resulted in acceptance of union demands -- however extreme. Needless to say, the apparent helplessness of governments to deal with this problem has encouraged other trade unions to exercise their latent market power more boldly.

The growth of our foreign trade and of capital movements to and from the United States has also increased the susceptibility of the American economy to inflationary trends. National economies around the world are now more closely interrelated, so that inflationary developments in one country are quickly communicated to others and become mutually reinforcing. Moreover, the adoption of a flexible exchange rate system -- though beneficial in dealing with large-scale adjustments of international payments, such as those arising from the sharp rise in oil prices -- may have made the Western world more prone to inflation by weakening the discipline of the balance of payments. Furthermore, since prices nowadays are more flexible upwards than downwards, any sizable decline in the foreign exchange value of the dollar is apt to have larger and more lasting effects on our price level than any offsetting appreciation of the dollar.

The long-run upward trend of prices in this country thus stems fundamentally from the financial policies of our government and the changing character of our economic institutions. This trend has been accentuated by new cultural values and standards, as is evidenced by pressures for wage increases every year, more holidays, longer vacations, and more liberal coffee breaks. The upward trend of prices has also been accentuated by the failure of business firms to invest sufficiently in the modernization and improvement of industrial plant. In recent years, the United States has been devoting a smaller part of its economic resources to business capital expenditures than any other major industrial nation in the world. All things considered, we should not be surprised that the rate of improvement in output per manhour has weakened over the past fifteen years, or that rapidly rising money wages have overwhelmed productivity gains and boosted unit labor costs of production.

Whatever may have been true in the past, there is no longer a meaningful trade-off between unemployment and inflation. In the current environment, a rapidly rising level of consumer prices will not lead to the creation of new jobs. On the contrary, it will lead to hesitation and sluggish buying,

as the increase of the personal savings rate in practically every industrial nation during these recent years of rapid inflation indicates. In general, stimulative financial policies have considerable merit when unemployment is extensive and inflation weak or absent; but such policies do not work well once inflation has come to dominate the thinking of a nation's consumers and businessmen. To be sure, highly expansionary monetary and fiscal policies might, for a short time, provide some additional thrust to economic activity. But inflation would inevitably accelerate -- a development that would create even more difficult economic problems than we have encountered over the past year.

Conventional thinking about stabilization policies is inadequate and out of date. We must now seek ways of bringing unemployment down without becoming engulfed by a new wave of inflation. The areas that need to be explored are many and difficult, and we may not find quickly the answers we seek. But if we are to have any chance of ridding our economy of its inflationary bias, we must at least be willing to reopen our economic minds. In the time remaining this evening, I shall briefly sketch several broad lines of attack on the dual problem of unemployment and inflation that seem promising to me.

First, governmental efforts are long overdue to encourage improvements in productivity through larger investment in modern plant and equipment. This objective would be promoted by overhauling the structure of Federal taxation, so as to increase incentives for business capital spending and for equity investments in American enterprises.

Second, we must face up to the fact that environmental and safety regulations have in recent years played a troublesome role in escalating costs and prices and in holding up industrial construction across our land. I am concerned, as are all thoughtful citizens, with the need to protect the environment and to improve in other ways the quality of life. I am also concerned, however, about the dampening effect of excessive governmental regulations on business activity. Progress towards full employment and price stability would be measurably improved, I believe, by stretching out the timetables for achieving our environmental and safety goals.

Third, a vigorous search should be made for ways to enhance price competition among our nation's business enterprises. We need to gather the courage to reassess laws directed against restraint of trade by business firms and to improve the

enforcement of these laws. We also need to reassess the highly complex governmental regulations affecting transportation, the effects on consumer prices of remaining fair trade laws, the monopoly of first-class mail by the Postal Service, and the many other laws and practices that impede the competitive process.

Fourth, in any serious search for noninflationary measures to reduce unemployment, governmental policies that affect labor markets have to be reviewed. For example, the Federal minimum wage law is still pricing many teenagers out of the job market. The Davis-Bacon Act continues to escalate construction costs and damage the depressed construction industry. Programs for unemployment compensation now provide benefits on such a generous scale that they may be blunting incentives to work. Even in today's environment, with about 8 per cent of the labor force unemployed, there are numerous job vacancies -- perhaps because job seekers are unaware of the opportunities, or because the skills of the unemployed are not suitable, or for other reasons. Surely, better results could be achieved with more effective job banks, more realistic training programs, and other labor market policies.

I believe that the ultimate objective of labor market policies should be to eliminate all involuntary unemployment. This is not a radical or impractical goal. It rests on the simple but often neglected fact that work is far better than the dole, both for the jobless individual and for the nation. A wise government will always strive to create an environment that is conducive to high employment in the private sector. Nevertheless, there may be no way to reach the goal of full employment short of making the government an employer of last resort. This could be done by offering public employment -- for example, in hospitals, schools, public parks, or the like -- to anyone who is willing to work at a rate of pay somewhat below the Federal minimum wage.

With proper administration, these public service workers would be engaged in productive labor, not leaf-raking or other make-work. To be sure, such a program would not reach those who are voluntarily unemployed, but there is also no compelling reason why it should do so. What it would do is to make jobs available for those who need to earn some money.

It is highly important, of course, that such a program should not become a vehicle for expanding public jobs at the expense of private industry. Those employed at the special public jobs will need to be encouraged to seek more remunerative

and more attractive work. This could be accomplished by building into the program certain safeguards -- perhaps through a Constitutional amendment -- that would limit upward adjustment in the rate of pay for these special public jobs. With such safeguards, the budgetary cost of eliminating unemployment need not be burdensome. I say this, first, because the number of individuals accepting the public service jobs would be much smaller than the number now counted as unemployed; second, because the availability of public jobs would permit sharp reduction in the scope of unemployment insurance and other governmental programs to alleviate income loss. To permit active searching for a regular job, however, unemployment insurance for a brief period -- perhaps 13 weeks or so -- would still serve a useful function.

Finally, we also need to rethink the appropriate role of an incomes policy in the present environment. Lasting benefits cannot be expected from a mandatory wage and price control program, as recent experience indicates. It might actually be helpful if the Congress renounced any intention to return to mandatory controls, so that businesses and trade unions could look forward with confidence to the continuance

of free markets. I still believe, however, that a modest form of incomes policy, in some cases relying on quiet governmental intervention, in others on public hearings and the mobilization of public opinion, may yet be of significant benefit in reducing abuses of private economic power and moving our nation towards the goal of full employment and a stable price level.

Structural reforms of our economy, along some such lines as I have sketched, deserve more attention this critical year from members of the Congress and from academic students of public policy than they are receiving. Economists in particular have tended to concentrate excessively on over-all fiscal and monetary policies of economic stimulation. These traditional tools remain useful and even essential; but once inflationary expectations have become widespread, they must be used with great care and moderation.

This, then, is the basic message that I want to leave with you: our nation cannot now achieve the goal of full employment by pursuing fiscal and monetary policies that rekindle inflationary expectations. Inflation has weakened our economy; it is also endangering our economic and political system based

on freedom. America has become enmeshed in an inflationary web, and we need to gather our moral strength and intellectual courage to extricate ourselves from it. I hope that all of you will join in this struggle for America's future.

* * * * *

Please read the enclosed
material. I know it is a
good amount of material but
covers a lot of time and sweat.
This is how the common man
feels who will either elect you
or not and who will pay your
salary if elected.

Good Luck!

Thanks

"Mac"

Work Hard - as Lady Luck
will smile on you. T.R. McAlister

3732 Blackburn Avenue
Ashland, Kentucky 41101
September 11, 1975

Mr. [unclear]

This is how I think we could lower our unemployment, do justice to our elderly, and start business on the upswing. I would like to see Social Security Retirement lowered to age sixty from sixty-five at full benefits, wives' benefits dropped from sixty-two to fifty-seven, widows' benefits dropped five years from present.

I believe this would be much better than a shorter work week which is bound to come due to unemployment and the cost tied to this problems (such as unemployment insurance extensions, welfare, food stamps, hot lunch programs, soup lines, federal tax rebates, etc.).

Likewise I would like to see that companies would rehire where retirement has taken place on a one for one bases. The only exception should be an extreme hardship basis that would cause bankruptcy (and those companies would not be allowed to take any advantages of any tax incentives). The federal government might offer ten per cent expansion tax for those who hire more unemployed by expanding operations. This would be a "sugar-coated pill".

I believe to many "Big Outfits" are now waiting in the shadows for a federal "hand out" before hiring more employees under the present system while government goes deeper in debt. This is a "cat and rat game" for them using public money for capital to pay private stock holders a growth gain. This applies to oil and gas companies in making synthetic fuel from coal, etc.

We have helped everyone in this country in and out except the common man for much too long, and he pays the lions share of the taxes. I think it is wrong to ask an older man to work five years longer so others can gain from his productivity. I would think any young man would rather work and pay into Social Security for his retirement and family than live off others, there by allowing or helping an older employee to retire and building up his own retirement credit. If this program isn't taken advantage of I fear the youth will some day in the near future rebell on paying Social Security. Since he has required very little credit or he is allowed such a small amount for so small credits earned he will say "to hell with it".

A man retired would spend his money rather than saving it thereby increasing the amount of money in circulation. This system makes much more sense to me than the late rebate system on federal taxes, (where people banked their money and didn't buy a car because there was a shortage of gasoline and prices on cars were higher than the previous year, even with auto companies rebates).

I think American People should come first, before Israel, North Vietnam, The Arabs, or Russia. These governments and their people have cost us billions. Why can't we do this for our own senior citizens even if we have to go to the treasury for starts? There is money from the Treasury for higher government salaries (plus cost of living increases), subsidies to businesses (for example railroads like Penn Central, tariffs for auto industries so they won't have to compete with foreign cars, railroad retirement system subsidy, as well as subsidies to other industries, etc.). Why not if need be a federal subsidy to initiate this program for earlier retirement?

Why shouldn't folks who support this government more than any other group get benefits equal to present federal civil service employees, (and I am referring not to money). It is a little ironic for Social Security employees to have a better benefits program for retirement than the people who pay their salary (and they service the public retirement trust funds for the majority of the United States public).

I would like to hear your comments. My age is forty-eight and I expect to be paying for those gains if obtained.

Yours Respectfully,

Terrence R. McAlister
Terrence R. McAlister

Congress of the United States

House of Representatives

Washington, D.C. 20515

October 10, 1975

Mr. Terrance R. McAlister
3732 Blackburn Avenue
Ashland, Kentucky

Dear Terrance:

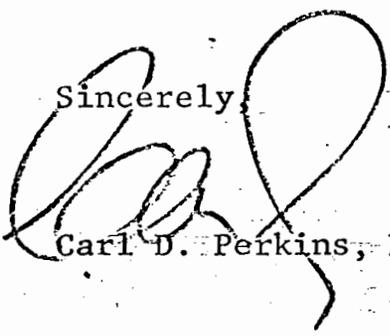
I read your good letter with pleasure and certainly agree that social security retirement should start at an earlier age.

I have introduced legislation on this which would apply to railroad workers and also to take of widows, who often have a special problem because they must wait until they are 60 years old to start collecting on their husband's record.

I support lowering the retirement ages and your letter makes good sense.

My best wishes,

Sincerely,



Carl D. Perkins, M. C. E.

CDP:ip

*This is what my
class Buddies and
I thought would be
still better if we could
put down and have
and God knows we spent
with no long range
plan just patch gaps
and substitute.*

3732 Blackburn Avenue
Ashland, Kentucky 41101
February 12, 1976

Congress of the United States
House of Representatives
Washington, D. C. 20515
Honorable Carl D. Perkins

On behalf of members of my own local union and members of other unions in my area and myself, I would like to request that you contact your colleague Honorable *Ken Heckler* and cosponsor a bill in Congress to add to or revise Social Security provisions to include the following:

It is our feeling that a person who has paid into Social Security for a minimum of thirty years, reaching the age of fifty-five years old should have the option of retiring with maximum benefits to which he is entitled in proportion to what earned credits paid into this fund. We also believe anyone retiring under these requirements should be allowed to purchase Medicare Insurance if he so desires.

The advantage of this policy would be two fold. First, it would allow the person to retire and enjoy life some before he is too old. Second, it would create vacancies in the work force which would take young men and women off the unemployment rolls and allow them to become gainfully employed. This starts young folks dreaming and building goals and where it stops no one knows. Their contributing to Social Security would replace those formerly being made by the person who they replace. This would slow down talk of a shorter work week which encourages moon-lighting and as far as I can see does not help in putting on more employees.

If a husband and wife have both paid into Social Security, but he does not meet maximum earning credits in some quarters past or present when applying for benefits they should be allowed to combine their earning credits or quarters to make a higher benefit possible or meet quarter requirements where needed. Sometimes wife's earning credits or quarters are insufficient to be used at all as it now stands, why not make it reciprocating to both if advantageous. This would be of great help in trying times since the money has been put into the fund it is just a matter of receiving credit for it. I think this should be taken into consideration when computing a benefit for the maximum amount.

as an incentive to return to work on a full time basis as soon as possible after being off on Social Security Disability one should be allowed maximum wage credits in quarters for a full five years if after meeting Social Security's requirements for one quarter and then one is on a full forty hour weekly schedule for the rest of the four and three-quarter years. This would give one a sense of emotional security and help make up deficit created by his disability which could have very well limited his chances for overtime, chances for advancement, caused him to take a lower paying job or maybe placing him into a new job altogether. Many returning to work are required to continue seeing their doctor frequently and to have prescriptions filled and etc. I think this could make the difference if a man kept working or returned to disability. Remember that Social Security would be paying the difference only in earned credits. I think this is cheap therapy for the cost and could save much in people and money.

Disabled military Veterans of the U.S. Armed Forces who have a disability of ten per cent or more and who were honorably discharged and have worked one hundred twenty quarters under Social Security should be given or allowed twenty quarters earned credits to be used where needed for maximum benefits in computing disability, survivors, or retirement. If this same Veteran was off for a disability under Social Security he should be entitled to forty quarters as previously stated above or otherwise these two benefits should be additive. These Veterans have earned this option or options due to their handicaps where they have continued to work and for their duty to their country they have served. Civil Service gives credit for military service so why not Social Security. We have done much more than this for our former enemies who would have destroyed us if they could have and they would have if not for our Veterans and their Comrades. This would be a good way to show our gratitude to our Veterans' on our bicentennial. It was servicemen like these who made this Nation a reality. This type legislation should give us support from Veteran Organizations, Veterans and I hope our Country. Our Nation was not given to us on a "Silver Platter". Payments for these Veteran quarters should be paid out of the general revenue of the U.S. Treasury just as we now do for supplementary payments for others. These quarters should be computed where most benefits would derive from for the Veteran and be additive to any quarter where needed and their value would be picked from highest earning years during one hundred twenty quarter working period computed for

but as grant no poverty but something earned.

retirement.

Anyone who has less than one hundred twenty quarters should be allowed to work till sixty if need be to gain his quarters for retirement, but once one's quarters are met his retirement should be computed and he or she should be notified that no further pension credits could be earned. A statement should be sent showing computations used so one could check for corrections if need be since a mistake could be made. This statement could come out slightly early with estimated quarter for final quarter and then one could file if one wanted to retire for starting date. This would encourage retirement, but one would be able to work on if one so desired, but no further earning credits or quarters could be earned and Social Security Taxes would continue as long as working. This would leave retirement up to the person. If one did not have the quarters needed at sixty his retirement could be averaged against required quarters needed using earned credits to get a percentage of one's pension who worked one hundred twenty quarters for computing his retirement. I believe if retirement on Social Security was computed this way there would be more money for long time workers who have funded this system through the years. It only looks fair to me one who has paid more should get more.

I am of the opinion a revision in Social Security would be most desirable if not a complete change over to an annuity based on something like Federal Civil Service and Railroad Retirement as Models to work from to derive a suitable system. Here are some of the faults I see in our present Social Security System, (1) It is weighed in favor of the low wage earner, (2) Surplus funds have not gotten a fair return in the past and possibly the present, (3) It now offers excess amounts and benefits to short term workers in all three protection areas, (4) The contribution rates are too low for the self-employed or too high for the worker: either we should bring the self-employed up to the combined rate of employer plus worker (5.85% plus 5.85% equals 11.70%) to the self-employed rate of 7.90% a difference of 3.80% or drop the amount required from worker. I see the employer's contributions as employee's wages passed on to the fund, (5) Death benefit should start at 255 dollars and go up in proportion to amount paid over the years, (6) This system has been poorly administrated over the years, (7) There is so much Welfare Sprinkled throughout the benefits that should be covered by the Federal Government so all taxpayers would be paying their fair share. Another good reason for going to an annuity would be due to the fact we are approaching a controlled population growth rate.

Here are some of the abuses of this system. A Federal Civil ^{servant} or anyone else who retires from his job on an annuity at fifty-five years of age or earlier, and gets a job covered by Social Security, works ten years or less based on year of birth, retires with a second full pension. This second pension from Social Security could be as great as "X" worker's who could have worked forty-seven ^{years} or possibly longer paying into this fund at maximum earnings creditable, or more if he worked less than ten years under Railroad Retirement Act. This "come lately Joe" could easily receive more than "X" with a twist of fate. I am not against "Joe" getting his second pension as long as it is at least one-third that of Mr. "X's" or less, based on years paid in to Social Security at maximum credits creditable and etc. It has been found by a study cited in recent congressional testimony that forty per cent of Civil Service Retirees also get a Social Security Check. This data was taken from Ashland Daily Independent, page twelve and dated December 18, 1975. To me this does not look like justice for an "Old Timer" who has been paying into the fund for years at maximum earnings creditable. I believe if this loophole was changed we could give Mr. "X" a large retirement check at retirement time each month. Survivors and Disability benefits can reach higher levels now, however, because fewer years and higher earning levels are used to figure the average earnings for young workers (See Booklet Enclosed). For example, let's say a worker became disabled in 1974 at 29 or younger and he had average covered yearly earnings of \$8,400 over 2 years. His disability benefit would be \$410.70 a month starting in June 1975. If this young man has a wife and two children, family benefits would be \$718.70 a month. How would a "Old Timer" rate in this case even if he has been paying the maximum in for years and children were grown or he had no children and wife was 42 years of age and had a job for a small salary? What if this "Old Timer" died? What would his wife draw in comparison to the young man mentioned above? Again I think the one who has paid into Social Security for many years and maximum credits should be more rewarded. needed,

For getting this program started and stabilized, government moneys should be used, if just as was done for Civil Service, Railroad Retirement and a Occupational disease in the very short past. We have used government moneys for railroads in every fashion, a city potentially bankrupt and otherwise, airplane manufacturing plants, tariffs for auto industry so they won't have to compete with foreign cars and now for industry for plant and research so they can make a profit in synthetics in oil and gas manufacturing, without the corporations taking too much of a risk in capital outlet. I myself am in favor of an annuity system with a cost of living like Civil Service has in use. What is good for the governing should be good for the governed. Would not one be in a better financial condition to receive what was paid into a system for his working years under a full annuity system like Federal Civil Service even with no growth of population prospect and a economy that could go down as well as up than under our present Social Security program? Remember one is forced into contributing into Social Security by the Government regardless of how managed or how safe.

* Enclosed: - your S.S. Booklet for 1976. I ran out of 1975 Booklets. See page 16 for above example.

I am almost 49 years old and willing to pay my fair share to get this program started, whatever it takes. After all retirement was the basic idea behind Social Security in the beginning. I belong to Local 3-372 OCAW Union located in Kenova, West Virginia. We have members in Kentucky and West Virginia. We will be glad to send you signatures on union stationery from our local and our sister locals if you so desire. I have talked this over with other OCAW Local members, with other industries that we are not affiliated with who seem to share our concern for this legislation, as well as other Unions members not of our International who are located in the States of West Virginia, Kentucky and Ohio and I know I can get signatures from these people if so desired, and from people who are not members of a union. I don't see why we could not get support for this legislation nationwide if so desired on something like a chain letter arrangement. Please feel free to contact me in person, by phone or letter. My address is: 3732 Blackburn Avenue, Ashland, Kentucky 41101 and my phone number is 606-324-2633. I may be seen anytime after 5:30 P.M., Tuesday through Saturday, and on my off days Sunday and Monday.

I realize this is a lot of material, but I feel that it is a worthy project and would appreciate your taking the time to study it and give it your utmost consideration. I have tried to cover a big subject that has covered years in the making. I am looking forward to your answers or answer. I will pass this information on to our members and fellow unionist. Anything I have used as material in writing this letter was not for malice to anyone or any group; just to get my point across and that also goes for any material I may submit with this letter.

Yours Respectfully,



Terrence R. McAlister

Congress of the United States
House of Representatives
Washington, D.C. 20515

12 March 1976

Mr. Terrence R. McAlister
3732 Blackburn Avenue
Ashland, Kentucky 41101

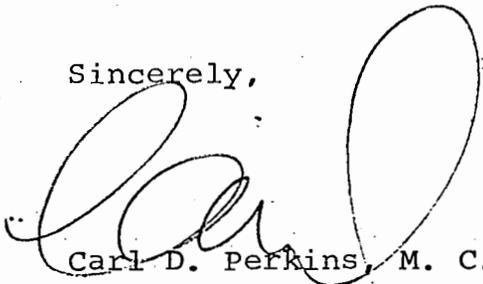
Dear Terrence:

Pursuant to our previous correspondence I am enclosing herewith the letter which I have received from the Congressional Research Service at the Library of Congress.

If I can be of further assistance to you in any way, please do not hesitate to call upon me.

With best wishes,

Sincerely,



Carl D. Perkins, M. C.

CDP/x
enclosures



The Library of Congress

Congressional Research Service

Washington, D.C. 20540

March 10, 1976

To: Honorable Carl Perkins
From: Education and Public Welfare Division
Subject: A revision of the social security program, a letter you received from Terrance R. McAlister.

In his letter to you Mr. McAlister suggests rather extensive changes in the social security program, apparently on the assumption that long-term workers pay the cost of the social security benefits they receive at retirement. This, as you know, is not the case. Rather, social security benefits for current retirees are paid for out of the social security taxes paid by current workers; current workers in their turn will receive social security benefits paid out of the social security taxes paid by the people who will be working when they are retired. For example, if a man who retired at age 65 in January of this year had paid the maximum social security taxes possible since the start of the program, he should have paid \$6,868 (his employer should have paid an equal amount) for which he would receive a benefit of \$364 a month and an additional \$182 if he should have a wife age 65 or over. At this rate he would receive an amount equal to his own taxes in benefits in 18 months, or in 13 months if he were married.

Nevertheless, Mr. McAlister is aware of several problems in the social security program for which no satisfactory solution has been found up to now. The question of how to credit a married couple with their

combined earnings in a way that would be fair to all social security taxpayers has been examined by a number of people and in 1967 a provision to do this was included in the social security bill which passed the House. The provision, however, was dropped in the Senate and was not included in the conference bill. A similar proposal was considered last year by the Advisory Council on Social Security and the Council, with some members dissenting, recommended that the proposal not be adopted.

The question of whether to pay social security benefits to retired Federal employees has also been considered at various times without a satisfactory solution. Last year, the Advisory Council on Social Security recommended that social security coverage be extended to all Government employees. The Council, however, like other groups that have studied the problem, was unable to arrive at a practical method of extending coverage.

Although the present law does not provide quite the credit for military service that Mr. McAlister suggests, credit is given for service. For the WWII and post war period, a special credit is provided and service after 1946 is covered on the same basis as private employment.

From the very start of the program and continuing up to the present time, there has been considerable debate about using general revenues to pay part of the costs of the social security program. Some of those who favor using general revenues justify the use, as does Mr. McAlister, on the grounds that the initial costs of paying full benefits are a proper cost of general government and should not be charged to the payroll tax which is dedicated to the social security program. On the other hand, those who object to such use of general revenues argue that if general revenues

were used, the program would be changed into a welfare program where benefits are based on individual need rather than a social insurance program where benefits are paid as a matter of right.

We do not have any estimate of the cost of paying social security benefits starting as early as age 55. While it would be possible to provide a reduced benefit which would have no long-term cost, the early-year cost might be significant. It would seem, though, that such a reduction might amount to something in the neighborhood of one-third off the full benefit.

I want my S.S. as a reward right because I have paid for it one way or the other (direct or indirect) and will continue to do so until retirement. I just want a fair deal for the old timer who has paid for a long time. I think we need legislation to lower the age 55 after a quarter of a century (not to add up to full benefits).

Frank Crowley

I do not agree with Mr. Frank Crowley. I think S.S. at present is a good deal welfare. What about the folks who came in S.S. in early 1950s paid little into the system and started drawing a pension. Who paid for this pension, they sure didn't.

I let Mr. Crowley now retire at 55 years of age after 30 years service with the government. Who paid his pension benefits besides himself? What's good for the government should be good for the governed. - Do you agree? Remember payments made into S.S. in the past were made with real money not inflated dollars as now. J.R. McAlister

Argued like to see the work week remain 40 hours and retire earlier say like 55. See a 10 per cent pay cut to 55. A pension is set at the same age. Starter work week encouraged more daylight and more pension funds for more employees.

Ashland Daily Independent

"First and Always For Ashland and Eastern Kentucky"

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Secretary-Treasurer

Wednesday, March 24, 1976

Auto Labor Talks

After two years of a severe sales slump which put many of its workers on layoff status, the American automobile industry is again beginning to enjoy better times. Sales are up nicely in 1976. But looming on the horizon is a problem of another sort.

This is the year the contract with the United Automobile Workers expires. The expiration date is not until September, but already the UAW is beginning to put together a package of demands. Serious negotiations could begin within another month.

UAW President Leonard Woodcock has set as his primary goal a reduced work schedule at the same pay. Some locals are pushing for a 32-hour week at 40-hour pay. Woodcock refuses to say how much of a reduction in the work week he has in mind.

The pay of workers in the automobile industry ranges from \$6.53 an hour for an assembler to \$8.11 an hour for top skilled workers. The average hourly employe is paid \$6.76 an hour plus about \$3 an hour in benefits.

Consequently, a 10 per cent reduction in the hours worked — without a cut in pay — would add about \$1 per hour to the industry's production costs. The union also says it will be asking for wage hikes, increases in cost-of-living adjustments and increases in other benefits.

He will never be able to get Industrial Private pension down to age 55 after 30 years work if we cut 9.9 5.5 to bring their age limit. Private Citizens should be able to retire like fed workers since we paid their 40 hours.

No Area Cities Involved

Some Local Governments Dropping Social Security

WASHINGTON (AP) — Growing numbers of local governments are pulling out of the Social Security program, at a time when the big federal benefits system is being buffeted by inflation and unemployment.

Ashland Mayor David O. Welch said the city has given no consideration to pulling out of the Social Security program.

Welch said he was not familiar with the procedure that would allow a city to withdraw from the program, but said that the subject "has never been a topic of discussion" in Ashland.

And he said he would not want to indicate that it ever would be contemplated here. The city has 212 employees under Social Security.

David Bryan, manager of the Social Security Administration office in Ashland, said to his knowledge no local

government in the Ashland area has ever pulled out of the program. But, he said, when he first came to Ashland several years ago he was surprised to find there are some groups of people—such as teachers and firemen—who are not covered.

Bryan said that, although the SS fund is now on a shaky basis, Congress is taking steps to alleviate the problem on both a short term and long term basis.

Earlier this year, President Ford proposed an increase in the Social Security tax of sixtenths of a per cent to insure the integrity of the fund. Bryan said Congress is working on that now and has proposed an increase of .3 per cent.

To protect the fund over the long haul, Bryan said some "major changes" will have to be made in Social Security laws—changes he said Congress will make.

While alarmed that the defections may snowball, federal officials say there is no

indication now of any noticeable impact on the solvency of the Social Security trust funds.

They point out that, despite the dropouts, the over-all number of state, county and city employees covered by Social Security and paying contributions is steadily increasing and has been since they became eligible in 1950.

Under federal law, state and local governments that have had Social Security for at least five years can pull out by giving the federal government two years' advance written notice. They can't join again.

Since 1959, a total of 322 local governments with 44,667 employees have dropped out of Social Security, most of them in California, Louisiana and Texas. And 207 other governments with 53,187 employees have given the required two years' ad-

(Continued on Page 7, Col. 6)

SOCIAL SECURITY — Ford is asking Congress to vote an increase of .3 of a percentage point for contributions from both employes and employers to trust funds from which Social Security retirement benefits are paid, effective next Jan. 1.

Coupled with an automatic increase in the wage base upon which Social Security taxes are paid — up to \$16,400 in 1977 from \$15,300 this year — the tax hike would mean workers would pay up to \$1,014 for Social Security in 1977, an increase of \$119 from 1976.

For many, it would eliminate a good portion of the gains from the proposed new incometax decreases.

Social Security recipients and persons benefitting from other federal retirement programs would receive full cost-of-living increases in benefits.

Other program highlights in the Ford budget include:

MEDICARE — An increase in contributions, but also an increase in so-called catastrophic-illness coverage so that no elderly person would have to pay more than \$500 for hospital care or \$250 for doctors' care in a single year.

FOOD STAMPS — Ford proposes reforms to reduce total outlays to \$4.7 billion, down \$900 million from 1976.

SCHOOL LUNCHES — Changes to reduce costs by \$900 million by eliminating lunch subsidies for children of families above the poverty level income, now estimated at slightly more than \$5,000.

FOREIGN AID — Outlays for 1977 would total \$5 billion, including \$739 million for military assistance, down from an estimated \$6.6 billion in 1976, which included \$2 billion for military assistance.

HOUSING — The administration will ask for authority to make annual payment of up to \$850 million under the lower-income housing assistance program, which it estimates will allow for rental subsidies on an additional 400,000 units in 1977, the same as for fiscal 1976.

FEDERAL PAY — A cap of 5, perhaps 3, per cent would be imposed on federal pay increases next October.

What about letting the self-employed pay something. Better yet let self-employed pay what employees & employers pay. Together. Self-employed.

Some Local

(Continued From Page One)

vance notice of intention to terminate.

Alaska, with 12,649 state workers, is the first state to file notice of intent to pull out, but Social Security officials believe that notice was merely protective while the state weighs a decision.

Financially troubled New York City also is exploring the possibility of pulling its 230,000 employes out of Social Security to save the city about \$200 million annually.

About 81 per cent of state and local government employes covered by Social Security also have some type of supplemental retirement plan.

The Metropolitan Washington Council of Governments in the District of Columbia found that, by pulling out of Social Security and spending the same amount of money on a private plan, it could:

—Allow workers to retire at age 60 with 25 years of service as opposed to age 65 with 30 years service under Social Security;

—Pay retirement benefits at 80 per cent of the highest consecutive five years salary rather than 55 per cent under Social Security;

—Reduce payments from its 166 employes by a total of \$20,000 annually with an additional \$22,000 agency saving, and maintain survivor benefits.

Social Security officials said in interviews that local governments sometimes consider defecting when they get into money trouble, especially if a hard sell is made by a profit-motivated insurance company hoping to write a private retirement plan.

"Some of these plans are no sounder than Social Security and some are worse," a spokesman said.

For example, federal sources said, a local government's new private pension plan may offer higher retirement payments but smaller or even no payments in lieu of some benefits found in Social Security, such as coverage of a deceased worker's widow and children, disability payments if the worker is unable to earn an income, Medicare health benefits and payments to students up to the age of 22 years. Some private plans also have less desirable provisions for vesting and portability — or carrying a private pension plan to a new job.

Page 10 Col 1 Ash Daily Indict.

St. Eustatius, Netherlands Antilles, was the scene of the first salute by a foreign power — Dutch — to an armed brigantine flying the Great Union flag of the fledgling American republic.

Pay what employees & employers pay. Together. Self-employed.

SOCIAL SECURITY

No Bankruptcy—But a Need for Money

Nearly four decades of half-truths have finally caught up with Social Security. The system is as sound today as it has ever been, but Social Security Administration officials are trying to convince a suddenly skeptical public that the program is not on the edge of bankruptcy. They are having a hard time because for so many years boosters pretended that Social Security is an insurance plan.

The immediate source of concern is the Social Security trust fund, which in the popular mind has become analogous to the reserves insurance companies set aside to make sure that they can pay claims in the future. The Social Security trust fund now stands at \$44 billion, but last year it dropped by \$1.8 billion as Social Security tax collections fell behind benefits paid out. This year benefit payments of \$78.2 billion are expected to run \$4.4 billion ahead of income, pulling the trust fund down to less than \$40 billion. By 1981, according to projections in the President's budget, the fund will be depleted to \$23.4 billion. Many of the 32 million people who get Social Security checks—15% of the entire U.S. population—are afraid that the fund will become exhausted and their benefits at some future date stopped.

Supporting Strength. There is no such danger; the system is exactly as sound as the U.S. Government itself. Its ability to keep the benefit checks flowing rests not on the amount of money in the trust fund, but on the Government's unquestioned power to collect taxes—and on Social Security's overwhelming political support among the people who pay those taxes. The system does need more money, from somewhere. But no lucid analysis of its requirements is possible so long as the idea that Social Security is insurance, rather than a federal tax, dominates debate.

Under a straight insurance plan, an individual pays premiums and gets in return a policy promising to pay a certain sum to his heirs if he dies early, or to himself if he lives long enough to retire. The payments are determined strictly by the size of the premiums paid. The original Social Security Act of 1935 set up the system in much the same way: workers would pay taxes that would be a kind of premium and "earn" the right to receive benefits when they retired.

But in 1939, before the first benefits were paid,* Congress amended the act to base payments partly on need—a concept foreign to true insurance. Low-in-

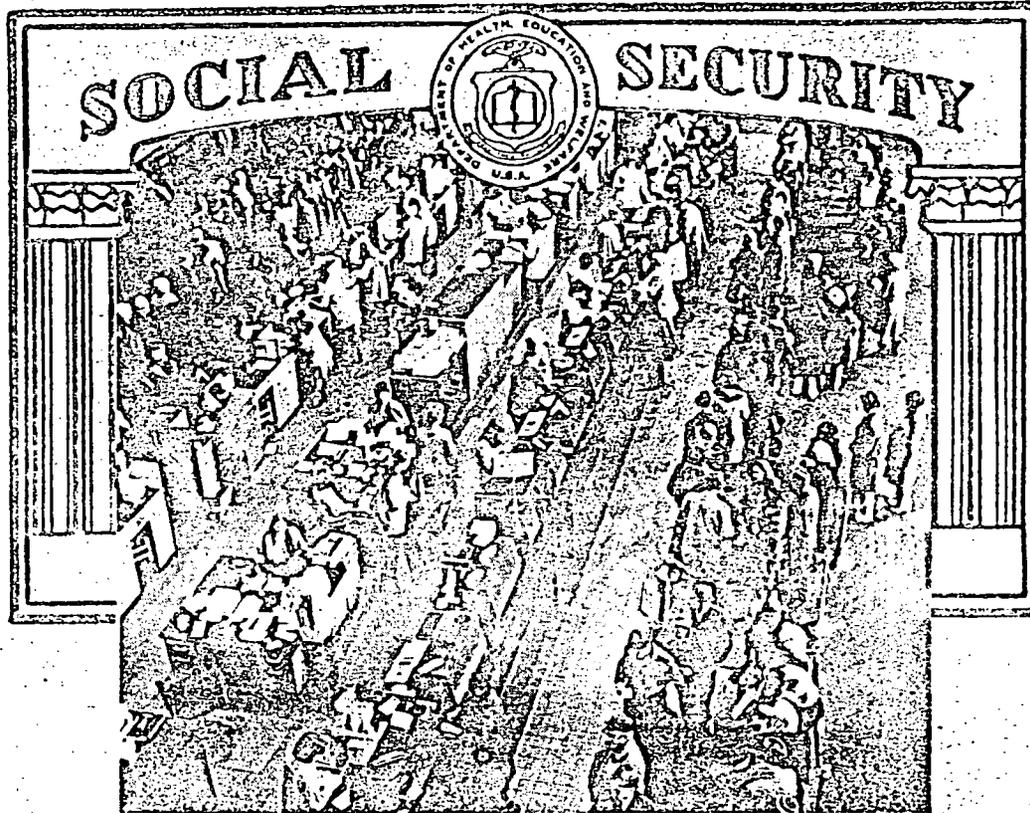
*Congress decided that taxes had to be collected for several years before any benefits could be paid.

come workers get retirement benefits that replace a larger proportion of their former earnings than the benefits of high-income workers do. A retired worker with dependents collects more than one without, even if both have paid exactly the same amount of taxes into the system, and there is a minimum level of benefits available to someone who has paid very, very little.

As a result, Social Security has become not insurance, but what economists call an "intergenerational transfer

would ever be. Today the system pays more in benefits to some people in a single year than they have contributed in taxes through their entire working careers. Also, in the '50s and '60s, the Government expanded the system so much that the only major group of employees not covered now are those who work for the Federal Government and some state and local government workers. Congress has never seen fit to include them, and they now have their own, separate pension plan. Benefit levels have

RALPH MORSE



CROWDS WAITING TO CASH BENEFIT CHECKS AT A NEW YORK BANK

The question is how much the people will pay for what level of benefits.

program." Today's workers pay taxes to support yesterday's workers who are retired or disabled. In turn, today's workers must rely on the willingness of their children's and grandchildren's generations to continue to make this sort of transfer. Thus the trust fund is not, never has been, and never can be large enough to meet all potential claims on the system: that would require several trillion dollars. Its true purpose is to provide a cushion out of which benefits can be paid while Government officials decide how to meet financial needs.

Those needs are enormous—because Social Security has become far more generous than any private insurer

been greatly increased, and a 1972 law tied them to movements in the consumer price index so that they are automatically lifted every year by inflation. Among other things, Social Security pays the Medicare hospitalization benefits of the elderly and picks up bills for kidney dialysis treatments for patients of all ages.

But Social Security is still financed as if it were insurance. Virtually no general tax revenues, such as those raised by individual and corporate income taxes, go into the system. It relies almost exclusively on a special payroll tax levied equally on employer and employee: currently each pays 5.85% of a worker's

ECONOMY & BUSINESS

earnings up to \$15,300 a year. The tax has risen sharply. As recently as 1965, the maximum Social Security tax that any worker paid was \$174 a year; now it is \$895.05. The tax has become a major burden on many low-income workers: an employee earning \$7,999 a year may well pay more in Social Security taxes (\$467.94) than he does in income taxes (\$463). Still, that is not enough to cover the greatly expanded benefits.

Boost Proposed. What to do? President Ford proposes raising the payroll tax to 6.15% on employer and employee alike, beginning in 1977. That would cost someone making \$10,000 a year an additional \$30. By Ford's calculations, the boost would increase tax collections above anticipated benefit payouts, so that the trust fund would swell to \$65 billion by 1981.

Critics in and out of Congress doubt that that is the best way to cover benefits. The payroll tax is regressive: it takes a bigger bite out of the wages of a low-income worker, relative to his ability to pay, than out of the earnings of a

high-salaried employee. There are no deductions; anyone earning more than \$50 in a quarter pays 5.85% period.

Also, an increase in the tax would be inflationary, because it would add directly to employers' costs: a company would have to send more of its own money to Washington for every worker on its payroll. An increase in the income tax does not have the same effect. Arthur Okun, a member of TIME's Board of Economists, calls Ford's proposal "a perverse fiscal policy of the worst sort."

Explaining Ford's proposal to a House Social Security subcommittee last week, David Mathews, Secretary of Health, Education and Welfare, ran into similar flak. Asked Representative Abner Mikva, an Illinois Democrat: "How do you explain to a factory worker that money withheld from his paycheck, over which he has absolutely no control, is not a tax?" Mikva says that the time has finally arrived "to blow the whistle" on the ideas that Social Security is an insurance program and that the payroll tax is somehow different from other taxes.



F.D.R. SIGNING ORIGINAL ACT IN 1935

cept that a person working is paying for his or her retirement." Social Security Commissioner James Cardwell fears that reliance on general revenues instead of payroll taxes would be "an open invitation to enlarge the program." As the financial burden of a larger program began to pinch, Cardwell believes, the idea of an "earned right" to benefits would be dropped.

The Burke subcommittee, disliking Ford's plan and knowing that an alternative is unlikely to pass, may well report no bill at all this year. That would leave even Social Security's short-term financing problems unsolved. Longer-term difficulties are approaching too, mostly because of demographic trends. After approximately the year 2005, when large numbers of people born during the post-World War II baby boom begin retiring, there will be a rapid increase in the number of individuals receiving benefits relative to the number of people working. Between 2005 and 2035, the combined payroll tax on employer and employee would have to rise from about 12% of covered earnings to more than 16% of covered earnings, according to the Social Security advisory council. Should birth rates turn upward again, this long-range financing problem would be smaller. But if they decline or turn up less than the council assumed in making its projections, the problem would be worse.

Expensive Question: None of the system's difficulties are likely to be resolved as long as the idea that Social Security is insurance persists. The system is largely a tax-financed welfare program—worthwhile and indeed essential, but very expensive. The question, as Cardwell puts it, is: "How much are the American people willing to pay for what level of benefits?" That is a question that the nation must face up to—and soon.



COUPLE LIVING ON SOCIAL SECURITY IN NEW JERSEY; SHE IS 74, HE 84



BOY RECEIVING KIDNEY DIALYSIS TREATMENT

The Democratic majority on the subcommittee plans to weigh Ford's proposal against other alternatives. Two major ones:

1) Raise the wage base on which taxes are levied, perhaps to \$25,000 in 1977. That would make the tax less regressive by hitting higher-paid workers more heavily.

2) Finance benefits partly out of general tax revenues. A Social Security advisory council recommended last year that Medicare hospitalization benefits be paid for out of general funds.

The subcommittee chairman, Representative James Burke of Massachusetts, has lined up more than 100 co-sponsors for a bill that would raise the wage base, use general revenue money, and cut the payroll tax rate from the present 5.85% to 3.9%. But he faces stiff opposition. President Ford at his budget briefing argued that with any use of general revenues to finance Social Security, "you are in effect losing the con-

Money for emergency except the Regular everyday worker

Mrs. Sears Is Postmistress Without A Single Customer

SOMERSET, Ky. (AP) — Kentucky has 825 fourth-class post offices — more than any other state — and Mrs. Rita Sears is in charge of one of them.

In the hollows of Southeastern Kentucky, in a place called Drum, Mrs. Sears earns \$3,300 a year as the local postmistress.

Mrs. Sears doesn't have a single customer, not even herself and her husband. Their mail is delivered by a rural carrier.

"I don't know why they just don't go ahead and close it up," says Mrs. Sears. "We just sit here waitin' to hear something, but we never do."

Mrs. Sears inherited her job from her husband, who retired in 1970. But Mrs. Sears seldom bothers to run up the flag in front of her home anymore.

Mrs. Sears is not in a unique position. Just a few hollows over is the Conrad post office, where Mrs. Jesse Bullock is postmistress.

If you drive 18 miles east of Somerset, bump along three miles of dirt road, ford three streams and come to a stop at the front yard of Auda Bullock's home, you will have located the Conrad post office.

There at 8:30 a.m. every day, Mrs. Jesse Bullock raises a battered U.S. flag. The flagpole's base is in an old tire.

Mrs. Bullock has four customers. That number includes herself and her

husband, and they send 90 per cent of the mail.

This year she will receive about \$4,000 a year from the federal government — for, in effect, delivering her own mail.

"I guess you just think that's awful, don't you," says Mrs. Bullock, laughing nervously. "Well, I said somethin' to one of my friends about it, and she said not to worry about it. She said that if they wasn't givin' it away to me, they'd be givin' it away to someone else, so I might as well take it."

Due to a long-standing postal policy, Mrs. Bullock will be the Conrad postmistress until she retires or dies.

Long ago, when roads were bad and transportation unreliable, the fourth-class offices were the backbone of the postal operation in Kentucky. Often they were the only link between rural people and the outside world.

But in recent years, with expanded rural delivery, that's no longer true. Nevertheless, the postal service keeps

the operations going until the postmaster retires or dies.

Local politics has a lot to do with it, according to John J. Tohill, the postmaster at Somerset. He says the postal system has been slow to change even though it is now under a new private corporation.

"The postal service policy is that after a postmaster is appointed, no effort is made to pull his job out, even though the need for the office deteriorates," says Tohill.

"I think the unofficial policy is this: The cost of those operations is less than one per cent of our budget, so why stir up the people and the congressmen by gettin' rid of 'em," he says.

Mrs. Bullock admits that the Conrad post office was almost closed in 1962. But a local family complained to the county judge and the judge took the matter up with then-U.S. Sen. John Sherman Cooper.

The office stayed open.

Why not lower age to draw S.S. by three people can work and help pay for living S.S.

Ford Wants Congressional Okay On Benefits Extension

Ash Daily Independent 12/10/74

WASHINGTON (AP) — President Ford has urged congressional approval of an emergency measure to extend jobless benefits an additional 13 weeks and provide up to 26 weeks of payments for workers not now eligible for coverage.

Ford's action Monday follows the government report last week that the unemployment rate had jumped to 6.5 per cent of the work force in November when nearly six million persons were out of work.

The same economic malaise led Henry Ford II, chairman of Ford Motor Co., to declare Monday that the government should worry more about recession than inflation.

The industrialist also said "there is no reason to believe that we will have an economic upturn in 1975."

Most states now up to maximum

of 26 weeks of unemployment benefits. The proposal now pending in Congress would increase the benefit period to 39 weeks, with the federal government paying half the cost.

In a related development, the Labor Department said it is studying a proposal to bring nearly seven million more workers under the unemployment insurance system.

Department officials said Monday that they had been preparing the proposal for several months but said the recent sharp rise in unemployment made the need for change more urgent.

An estimated 12 million employed workers are not covered by the system. Among those who would be brought under coverage are some 5.3 million state and municipal government employees, 600,000 farm workers and 340,000 of the 1.3 million domestic workers.

There is money for everyone and ever Country except the Common TAX payer - Why?

Senate Votes Additional \$1 Billion Subsidy For Postal Operations

HN CHADWICK
Staff Press Writer

WASHINGTON (AP) — The Senate has voted an additional \$1 billion subsidy for postal operations while temporarily barring further postal rate increases or service cutbacks.

The legislation, passed 79 to 9 Tuesday, also would establish a commission to study postal problems and report by Feb. 15, 1977.

The measure now goes to conference with the House, which last October passed a bill to bring the semi-independent Postal Service under congressional budget control.

The Ford administration is opposed to the House bill, while the Senate measure is a stopgap compromise worked out in cooperation with the White House.

Chairman Gale W. McGee, D-Wyo., of the Senate Post Office Committee called it "a tightly bargained agreement" that overcame earlier administration objections to any increase in postal subsidies, now amounting to about \$1.5 billion a year.

He said if the Senate bill is not enacted that there will be early increases in postage rates and reductions in postal service.

However, Sen. Ernest F. Hollings, D-S.C., who offered a substitute measure that was rejected 58 to 26, predicted that the House would not accept the Senate bill.

Hollings' substitute, like the House bill, would have given Congress control over the purse strings of the debt-ridden Postal Service.

In the House, Rep. Bill Alexander, D-Ark., said he will move to have House conferees stand firm on two provisions of the House bill not in the Senate version. One would require the Postal Service to come to Congress annually to justify authorization and appropriation legislation. The other would require that the postmaster general and his chief deputy be appointed by the president and confirmed by the Senate.

Under the Senate bill, postal rate increases and service cutbacks would be barred until the study commissioner submitted his report.

Why can't we afford Fall Benefits on credits paid on 120 quarters At Age 55 on S.S. Instead of 10 quarters and age 65 on credit paid bases? I thought we were told a very short time ago the Post Office Dept. was going to be independent and make it on its own like the TVA...
Daily Independent, Wednesday, August 25, 1976

Oil, Chemical and Atomic Workers International Union

PRESIDENT
JACKIE L. JARRELL



SECRETARY-TREASURER
BILL B. BAILEY

KENOVA LOCAL NO. 3-372

KENOVA, WEST VIRGINIA

We the undersigned are interested and approve of what T. R. McAlister has written.

T. R. McAlister	3132 Blackburn Ave.	Ashland, Ky.
A. D. Grace	234 1st St.	Ceredo, W. Va.
E. Derry	1524 Capview Hts	Kenova W. Va.
Belbert Vance	Rte #1 Box 541	Ashland, Ky.
Jack E. Cross	2400 Central Ave	Ashland, Ky.
Edward Sillie	1112-39 St	Rush Ky
Charles Samuels	1000 Walnut St	Ashland Ky
MATTHEW P. Hicks		Kennett W. Va.
C. J. Guld	(RR. 3 Box 557 Ashland, Ky)	1200 WINIFRED ST
Wade E. Stone	3405 S. 29th St	GREENUP Ky 41144
Ernest Castle	Rt. #1	Ashland, Ky 41101
Lyle Stanley	Box 313	Grayson Ky,
Dennis Whitey	2600 north St.	Russell, Ky
Billy R. Clark	1811 - Park St -	Ashland Ky 41101
Denny Hogg	3705 - Menoquin Rd.	Ashland Ky 41101
George H. Wells	2801 BLACKBURN AVE	ASHLAND, Ky 41101
Lobby L. Dozier	1605 Hickory St.	Flatwoods Ky 41139
Orr W. Mitchell	814 Raceland ave	Raceland, Ky. 41139

These are a few names to show you others feel as I do about this subject and they represent blue collar, white collar workers, and bosses at our service centers

I can get sheets of names from our local industries such as Semet Solway, Armos Steel, Ky. Steel, Ashland Oil, International Nickel and etc right here in Ashland Area not counting the Tri-State Area.

Ashland Independent
Wed. Oct. 16, 1974

VIRGINIA PAYETTE

Let's Start At Top

Before I enlist in Commander-in-Chief Ford's new all-volunteer army I have a few questions about who are going to be my fellow "inflation fighters" and "energy savers."

I mean, if we're going into this with a ragtag division while everybody else drives 65 and rinses their unmentionables in hot water, forget it. We'll never lick those double-digits that way.

This is one caper where the Chiefs have to outnumber the Indians. How can they expect us to remember to tighten our belts, bite the bullet and pin our WIN button on every day unless our elected leaders are right in there tightening and biting and pinning, too.

Loyal soldier that I am, I'm perfectly willing to drive less to save fuel. But when I do, I want to know that all those Washington biggies have turned in their chauffeured limousines for the duration and are car-pooling it with the rest of us.

I'll curtail my travels if our distinguished senators and congressmen will give up their monthly or weekly flights back home to find what the voters are thinking. I can tell them right now what they're thinking; federal spending is getting out of hand, that's why they're thinking.

If they're really interested, they can get all the detail in their daily newspapers. Which is a lot cheaper than the round-trip fare to Lower Fencepost.

And while I'm on the subject, maybe Commander Ford ought to give some thought to closing up Camp David until the war is over. That should save a bundle on heat, lights and gasoline wasted by all the advisers, servants and reporters who follow along.

If he really wanted to set us poor foot soldiers a shining example, he could cancel his winter ski vacation at Vail. That would be a big sacrifice (and Lord knows he'll need a rest by then), but wasn't he the first to admit his battle strategy was going to make a lot of people unhappy? (Could you call celebrating Christmas at the White House "tightening your belt?")

Mr. Ford also urged every citizen to "waste less" of our natural resources, including food, gasoline, oil and coal. Which brings to mind another way he can set an example: He can give up all his speaking engagements. And Congress could follow his example.

You wouldn't believe how much this "wastes."

Just for openers, there's fuel for the presidential jet, gasoline for the trips into the city (not to mention the small army of staff members who tag along when the Boss leaves town) and the dozens of hotel rooms for his entourage and the Secret Service's demands for security.

For one recent appearance, for instance, the hotel was told to block out 45 rooms: those adjoining the Presidential suite, those on either side, the one across the hall and those above and below.

And there's all the food that couldn't be eaten, and all the gas that wouldn't be used if the guests stayed home.

While we're dreaming, how about cutting the vice-presidential staff from 60 to 30 (or maybe even to zero while there is no Vice President) and the White House staff from 600 to a generous 300? Does the President really need half a dozen press secretaries and two personal photographers?

I don't mind keeping a stopwatch on the cat to save heat by limiting her exits and entrances to 15 seconds, if each of the brass on the Hill will agree to cut his bloated staff by even a modest 15 per cent. Instead, they're talking about INCREASING their basic staffs from 12 to 30. Is that any way to Whip Inflation Now (WIN)?

Not only that, but the House has just passed a bill to create a 14-member study commission to do something about the tons of papers citizens have to fill out and officials have to handle. Representatives brushed aside objections that this will only create more paper to be shuffled.

It's things like this that could make recruiting troops for WIN campaign one of the toughest jobs in the whole war.

United Feature Syndicate

I think we ought to do away with the limousines in Wash. D.C. like the Fox East had the week before. Let the official drive a 4-cyl. job.

Ashland Daily Independent, Sunday
December 8, 1974—41

Unemployment Figure Termed 'Fake' By Dean

PADUCAH, Ky. (AP) — The dean of Murray State University's College of Business and Public Affairs, Dr. John Lindauer, said Friday the 6.5 per cent national unemployment figure released by the Labor Department is a "fake" and a "hoax."

Lindauer, in a story published in the Friday evening editions of the Paducah Sun Democrat, said the actual unemployment figure nationally should be "about 20 per cent."

Lindauer took part in the economic summit conference in Washington recently at the invitation of President Gerald Ford and has testified before numerous congressional hearings on the economy.

"The unemployment rate is not a good rate because it ignores the underemployed and those discouraged people who have given up actively looking for jobs," Lindauer said.

He said the number of unemployed should be at least 10 million more than the 5.9 million figure released by the Labor Department.

"The United States' production capacity has been operating several hundred billion dollars below capacity and as much as one fourth of the economy's labor force has been unemployed or substantially underemployed for the past few years," Lindauer added.

He said the unemployment figure is not accurate because persons who have given up looking for work are not counted by the government as unemployed.

"In the early 1960s millions and millions of Americans who had not been counted as unemployed declared that they had indeed been unemployed by going to work just as soon as jobs became available," Lindauer added.

He continued, "The same millions have been going into the woodwork since 1968 and will undoubtedly come out and take jobs if and when we get the economy going."

Lindauer said the real rate of unemployment is close to the unemployment rate of the great depression of 1929. "But we don't see it because of welfare programs which have replaced the breadline."

3732 Blackburn Avenue
Ashland, Kentucky 41101
August 5, 1976

Copy of letter sent to all not worked with request it be used on your TV. Had debate with press League of Women Voters of America

ABC News
Washington, D.C.

Dear Sirs:

Misters Howard K. Smith, Harry Reasoner and Dan Courts (Economist)
I like your evening news program very much.

I would like to get your help and support in trying to get Congress to act on this type of legislation if you men think it is wise and good for this nation. I would like to hear your comments on what I have written and suggested below in this letter.

The following material tells how I think we could lower our unemployment, do justice to our hard working elderly, and start business on the upswing. This I think is better than extending unemployment pay, make work jobs, food stamps, welfare, federal matching funds, dam building, busing and etc. that older working folks are paying for one way or the other now through taxes. My conclusion is simple more people than jobs and I am not in favor of making a "War" to make full employment. I would like to see Social Security start at age 55 if one has paid into system 30 years or more as I have requested in the enclosed letter I sent two of our Congressman.

Why shouldn't folks who support this government more than any other group in blood, sweat and tears not get benefits equal to present federal civil service employees and I am not referring to money. Many of our cities and states employees fair much better if not all. Our government makes surveys all the time to see that their employees are compensated equal with private sector employees in all benefits, so why can't this be reversed.

Isn't it a little ironic for Social Security employees to have a better pension program for retirement than the people who pay their salary and remember they administrate the public retirement trust fund called Social Security for the majority of the citizens. I don't believe these same federal employees and congressmen would be in favor of us older social security payers running and administrating their pension funds as they have ours especially with as great a difference in benefits. I feel we are taxed once for social security and welfare and then taxed again for general revenue and welfare. I have talked to some employees of Social Security and they are looking forward to retiring at age 55 with 30 years service and then working or moon-lighting on a job paying Social Security so they can draw both pensions at age 65. I was also informed that Social Security doesn't have the money to pay maximum benefits for 30 years: at age 55 if maximum payments were made if this was possible. Probably be able to pay about a 1/3 of maximum benefit per month. This is odd arithmetic one man works 35 to say 39 years and couldn't get but a 1/3 benefit and another 8 to 10 years and get full benefit. Of course I am assuming if allowed retirement pay at age 55 for these figures which is not true at present. I am not proposing that anyone retire on Social Security so he can draw food stamps and etc., but they can work on and not retire if it is to their advantage if they so desire. Please refer to enclosed letter to congressmen.

My only selfish motive is if Social Security can be received earlier maybe one can get private company pension at a earlier age to coincide. This I hope to see would allow one to receive at least 70 or 80% of ones basic wage as a pension. I see no way to get both pensions earlier as long as Social Security uses age 65 to start their pension system for regular retirement. I would like to see one be able to retire where one could enjoy their retirement some before old age breaks one down. I feel that it is morally wrong to ask one to work until they are senile or overtaken with degenerative diseases then retire him or her because of cost in sick leave or afraid one will get hurt and company would have to pay one workman's compensation. I believe age 65 is:

down

the average breaking point in life and that is why pension funds start at this age. This is way companies don't get stuck with large medical bills. I also believe if one has worked hard at manual labor from eighteen or twenty years of age until 55 years of age companies have got their monies worth and a person should be able to quit and let some young fellow take over. After 55 years of age on I feel ones production or out-put falls. I have heard that even in Japan a Jap can retire at 50 or 55 years of age on a good pension if he has worked for some good corporation. Why isn't this possible in the U.S.A. and especially if one has worked for one corporation 30 years or more and is 55 years of age and has paid into Social Security even more years not able to retire? When I started paying into Social Security I thought it was for retirement or so I was told and I even have seen movies put out by the government to this effect. When I received my Social Security Card I think I received information in booklet or letter material informing me it was a Old Age Survivor Insurance or something to this effect and I saw nothing to say it was welfare. Now it seems everyone is considered before payee and one doesnot even have a chance to vote on his funds that someone else divides out or changes the system. I still think retirement should be the main root at least of the system. How can it be considered a fair retirement system when some have paid I think less than 2 years and only God knows how many quarters and start receiving their retirement checks and even more if they have a wife or children. These same folks paid less than payroll taxes paid by worker and his employer. Wouldn't it be more fair if S.S. Retirement and other benefits were based on quarters worked and amounts paid in to system, say like 120 quarters and amounts paid per quarter and age 55? If one paid in more than 120 quarters by 55 years of age they could allow one credit on low quarters where credits was needed for maximum payments so one would receive a larger monthly check. I also think if one has worked and paid into Railroad Retirement and had less than ten years service both employers and employee's payments should that now go to Social Security should be counted in or added to low paid quarters so as to increase payments when figuring retirement. *After all R.R. payments were much higher* I do think if one worked less than 120 quarters his retirement check should be cut accordingly. If one had to work past 55 years of age to get necessary quarters this would be ok up necessary quarters but not past 65 years of age. I do think if one gets his necessary quarters after age 55 years of age and wants to work on this is option but his retirement credits should cease to build and he should pay S.S. right on to encourage retirement. My whole idea behind this retirement would allow younger men to go to work, start paying their own retirement and other benefits, start their families, plain their goals for life, start building houses and making good homes and be tax supporting and this would make it possible to let the older men and women retire if they so desired.

I mentioned above how I think some money could be gotten to pay for this retirement ideabut here are other sources, raise S.S. Taxes on the young payees for the first 10 years as extra premiums on survivors; disability insurance. This could be paid at time Income Tax is paid on a per-cent of Income to be set up as to cost of program and Income made. At present this group gets more in proportion to what is paid into the system than anyother group. I think this premium should also go to anyone going into the system starting in the last 10 years before retirement like many federal retirees are now doing who retire at 55 years of age, city and state employees and etc. I believe self employed should pay the same ~~xx~~ rate as combined employee and employer now pay as after all employer's payment is part of employees wages. To make it more fair and to get the program off the ground self employed could be boosted by 33% for a few years above combined rate of 11.70% to make up for the past inequity paid in the past. Some of this group got a rip off on old timers when they came in to ^{the} system and many retired shortly after ~~entering~~ ^{the} entering system. I believe anyone drawing Social Security or any other pension would be spending his money and not saving or holding back as other groups of peoples and this would get the money circulating which would get the economy moving and this would start people being hired even down to kids cutting grass and etc. I know no one who would be saving his retirement check to take with him when he leaves this world. I know this type program would cost plenty of money even if the government had to help get it started, but it has been proven and will again be so that there is money galore for elections and politicians (this goes for trips home, overseas, fringe benefits, lady friends and you name it) If it was some way to get just a little of what was paid or will be paid by special interest as in this last election and the one coming up I am sure this program could easily be carried out. By the way the people suppose to be paying for this election so I know there will be all kinds of surplus around for most any program needed after this election. Please look at the memo from the The Library of Congress, Congressional Research Service that I have attached for your information. My thought is how many people die near retirement and and have no wife or children and S. S. pays only a small burial payment. There is a old saying if this money had been invested at a good return what would the principal be at sixty-five and to compound this with the ones who reach 55 but never make it to six-five then get your monthly benefit what would it amount to monthly?

Mr. Frank Crowley tells how quick one gets his money back from S.S., but he is talking about being paid with inflated money. Just in a very short time I have seen gasoline more than double, What happen to wheat, soybeans and etc. I heard a fellow say not long ago he bought a bag of groceries for \$18.75 a few years ago and about the same time he bought a Savings Bond near the same date and latter when he cashed his matured Bond in he got less than a 1/4 of a bag of groceries for \$25.00. What I am trying to say I don't think S. S. is such a bargain as it sounds and it should be paid as a matter of right and kept more on a business base and give to the worker the same brake that more than likely Mr. Crowley will be entitled at age 55. I am sure my work has been tax supporting for me and I think for the government and just how is government able to say yes to themselves but no to expensesive for John Q. (PUBLIC).

I sure would like to see some documentaries, commentaries, interviews and etc. in regard to Social Security with emphasises on employee to self employed, short time 40 quarter payer to 120 quarter payer, why government workers and officals don't pay into a compulsory social security system where intergenerational transfer program helps everone more than the one who pays the most in over the longest time space. Please read the material I have enclosed and you will see what I mean. Compare Civil Service retirement, Government Officals pensions (States and Federals) and benefits along with City benefits to Social Security. Ask Government Officals why S.S. System is God Sent For AVERAGE JOE but not for them. Ask David Mathews, Secretary of Health, Education and Walfare to expain above questions. Ask Presidential Candidates to answer or give their opinion to the questions I have ask before the election so people ^{will} know how they feel before being elected so a sensible decision can be made. Please try to get facts not half truths or toothy smiles. I have enclosed a newspaper clipping showing Pres. Ford is asking Congress to vote an increase of .3% of a percentage point for contributions from both employes and employers to trust funds from which S. S. retirement benefits are paid, effective next January 1, 1977. Why after the election? Why not a increase for the self employeed? It looks to me one or a group has to be able to make a big noise, tear up something, bring pressure on government, lobby with money or vote blocks, be a minority and surely not the marjority to really get attention from elected officals as a rule. All I can offer is a good idea I hope that is sensible and I believe would be supported by the marjority of blue collar workers, white collar workers and most common people who believe in fair play for people who pay their way through taxes and sweat. I do not believe in shorter work week only 5 days at 8 hours a day ~~or~~ 40 hours a week. Short work week contributes to moonlighting not jobs and more union dues. All I want is a productive life, productive nation, all carrying his fair share of the load and be able to retire at a reasonable time to enjoy ones fruits of his labors. Why can't one get national attention for my cause like one gets for national elections, Sports and etc. and be covered by all news media? Try to get support from international unions in this country so far I haven't. I was wandering why workers have to pay higher S.S. taxes due to inflation for the ones retired on S.S. when the government causes inflation themselves. Why shouldn't this come out of general tax revenue to all. If we had a depression and work dropped to 1929 and 30 levels I don't think S.S. retirees would get the now inflated S. S. payments promised. What do you think? Don't we the people pay the marjority inflation raises for government workers, dept. heads and elected officals and at a larger rate than for inflation rates for retirees on S. S. ? Hasn't the government refinanced Civil Service Retirement System to get it on a better financial basis in the the very short past? Hasn't Railroad Retirement been refinanced by the government in the vaty short past? Hasn't the government helped New York City in the short past and present to meet its debts and pension funds? If all of this is true or mostly true shouldn't the government refinance S.S. so one should retire at a reasonable age even if off shore oil and gas leases had to help pay for this benefit to get it started at least.

Sorry this letter is so long but I wanted to get it off my heart and mind.

Yours Respectfully,

Terrence R. McAlister

Terrence R. McAlister

Enclosures

P.S. This letter and other enclosures were written with no malice to no one or groups just to get my points across. Please keep personal answered letters and notes confidential since they are for your information only. "Thanks"