Sept 11/74

MEMORANDUM

September 13, 1974

TO: Executive Council
Administrative Staff
Regional Directors

FROM: Ralph Lloyd

RE: Labor Summit on Inflation

Attached are copies of those portions of the transcript of the September 11 White House Labor Summit on Inflation proceedings in which President Shanker discusses (1) the effects of high interest rates on teachers and schools, and (2) the potential effects of early childhood education on the economy and social assistance programs.

Attachments
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Now I know, of course, that we are criticized considerably, the construction industry, for our waste rates; but, if you have a high waste rate and you are unemployed, it doesn't mean a hell of a lot.

So -- and when there is unemployment, in order to meet increases in cost of living, that is when we get that pressure to increase wages higher.

So, if we can start looking at creating employment in the housing field and build something that is really necessary for the country, and start to look at the utility field, because the longer some of these utility jobs are postponed, the more difficult it is going to be to get them on line in time, and you are going to be talking about more manpower shortages, more overtime, and more things contributing to inflationary trends.

And I would respectfully request that the President might even consider setting up a Cabinet post for construction in his Cabinet.

PRESIDENT FORD: Thank you very much. Yes?

MR. SHANKER: Albert Shanker, American Federation of Teachers.

I would like to speak for a moment on the effect of the tight money policy. I think that it has not only effected the poor but the teachers across the country -- hundreds of thousands of them who are earning salaries like $6,500, $7,500, $8,500, $10,000 a year -- are no longer able to buy a modest home, a home with a mortgage of $25,000 a year, which under a 10 percent interest rate, which just isn't available now, it would be something like $225 a month in payments.

I would like to point out what is happening to the schools and other public services as a result of these interest rates; because, not only do companies borrow money, and individuals, but Government borrows money, too.

The state governments need money to operate, and city governments and school boards need that money, and they have to go out in that money market.

They build buildings, and they have to borrow money on a short-term basis for operations.

Now, I know that just within this last year, and I use one city, my own, as an example, but I am sure that it is true all over the country, interest rates on bonds started at the beginning of the year, the city was able to get some money at 5.1 percent interest.

Well, the last bonds that were sold a few weeks ago, went at 7.69. So, it went from 5.1 to 7.69. Now that results in hundreds of millions of dollars in additional interest payments that will have to be paid by the City of New York just for those bonds.

Now, short-term money has even been worse during this period of time, going up very, very rapidly.

Now, esentially, that means that the taxpayers, instead of paying for public services, instead of paying for public service jobs for smaller class size, for facilities for children, hundreds of millions of dollars are going into interest payments instead of going into public services.

Now I would like to very strongly suggest that if the United States Government can provide interest of 6 to 7 percent to the Soviet Union and other countries in terms of providing a favorable trade relations, we ought to be able to provide interest rates like 6 percent to our own citizens so that they can buy homes, or interest rates like 6 percent to the cities of our nation, and the states of our nation, so that they can provide the services that are so necessary.

PRESIDENT FORD: Thank you very much, Mr. Shanker. Did anybody else have any particular comment on this subject? If not, the next suggested topic would be wage price policy. I have indicated quite clearly, with emphasis, that I am personally opposed to the reimposition of wage price controls.

I think, however, it is appropriate that we discuss it, and I certainly will respect your observations and comments. It seems to me, at this point, it would be proper for Mr. I. W. Abel to make whatever observations that he would like to make on this subject.

because in that area alone there are those tax-favored situations which have no benefit whatsoever to the American public, which are terrible liabilities and a terrible burden for them to carry.

And I would intend to urge those who are here from the legislative body to take a good look at this at the appropriate time and place. I think it's outrageous.

MR. STALL: Mr. Rush?

MR. RUSH: Mr. Shouker is next, gentlemen.

SHANKER
MR. SHOUKER: I would like to address myself to a point that Mr. Ash made and also one that Mr. Finley made and try to relate them.

Mr. Finley spoke of the human problems that are behind some of these budget concerns, and Mr. Ash spoke of the fact that the budget for various social services is growing and growing and is concerned with what would happen in 1976 and 1978 and 1980.

I think we are all concerned with that. I think if we all look at one page of this budget, and we see food stamps at $4 billion and public assistance at $4.6 billion, and rehabilitation at $3.1 billion, and medicaid at 6.3, and unemployment insurance at 8.3, we see a sum of money there which is about $25 billion and growing very rapidly.

This represents assistance to groups of people who for the most part, through no fault of their own, society has not reached early enough to help, and therefore, they are a burden on the taxpayer, and they don't feel very good about it themselves, being in this particular position.

And unless we can find a way of intervening early enough to do something about it, that number is going to grow and grow and grow.

We are going to find 30, 40, 50, 60, 70 billion in taxpayers' money going to people who are unable to work and unable to produce -- if you want to talk about productivity, probably the greatest lack of it is the huge number of people who aren't working represented in this particular category.

Now, how are we going to intervene to change this? I think that we recognize that programs designed to intervene after people have gone through school and can't read or can't write or can't count or haven't acquired certain skills, whether it's in the coming to work on time, or whether it's in job skills or something else, the longer you wait the less likely it is that any kind of a change is going to be made.

And it seems to me that what we've been doing here is we've been waiting until it's too late. We wait until the child leaves school, is an illiterate, and then we have Job Corps programs and aid programs and welfare programs, and we don't put that investment in at a time when the child is 3, 4, 5, 6, 7, 8, 9, 10 years of age, a time when that child's life could be changed so that when they grow up they will not be in this 25 billion category that is growing and growing, and this doesn't represent the amounts that state and local government also has to put into helping these people.

Now, that's what concerns me so much about any kind of a talk about cutting budget in an area where it's going to -- it seems to me that maybe if we are concerned with 1980 and beyond 1980, if we are concerned with eventually being able to trim some of these programs, we've got to make an investment now.

And maybe it will cost. It will cost for the next few years to reach the children that are at that particular age.

I would like to speak for a few minutes about a program that's been working and which will be in jeopardy as a result of budget cuts.

Back in 1967-68 all across the country thousands of para-professionals were hired in schools. In New York City we have about 10,000 of them.

They were all welfare mothers, unemployed, receiving all kinds of assistance. They didn't have a high school diploma.

As a result of their employment in the school system they got their high school diplomas. 6,000 out of the 10,000 are now enrolled in college programs.

2,000 of them will have college degrees next year. Now, here is an investment that was made. And instead of being unemployed and on welfare for the rest of their lives, they are going to be graduating, and if we had a job market where they could find a job, they would be employed.

Unfortunately, after having gone to college all these years they are about to graduate and get their degree only to find out that they will be part of the large pool of unemployed teachers.

Now, instead of cutbacks, why not a program of universal early childhood education to reach these young kids before it's too late, and to put to work these welfare mothers who became para-professionals and who are about to become teachers.

What I see is this concern about $5 billion now may do something now, but it isn't going to do anything about whether we are still spending money on public assistance and unemployment and food stamps and everything else.

We are not talking about a strategy of how do we start cutting down on these things five and ten and fifteen years from now.