Macro Problems, choices

Topics for Macro Outline.

vs macro:

1. Micro solutions to macro problems.
   a. Micro/a: relations of co-existence vs. relations of sequence.
   ~~b. Change factor propns.~~
   ~~(This may be macro anyway)~~
   c. "Structural" causes of unempl.
   ~~d. Break mopies~~ & cartels; taxes; regulatory bias; etc.

~~Taxes~~

2. Errors in u.i. accts.
   Depln.
   Forced conv.
   Profits
   Cap. gains

3. Influences on V
   a. What they are (pedantic, academic)
   b. How scholastic a macro model fits in – i.e. Keynes as a theory of Velocity. The myth of leakages. "Crowding-out."
   (But take a more + approach: Kus. as reviver of circ. of K, using MV as surrogate; also, Kus. as observer of gains from infln.)

Wonnis approach is "quodlibetic"

4. Bogey of Ec. Maturity.
   Obsolescence of labor
   Close of frontier (Malthus, Turner, Hansen) ("Age of Limits")
   End of inventions
   " " pop. growth
   No more inv. opps. (Marx)

5. Influences on M; monetary policy.
   Monetizing collateral.
   Fed. & Tsy. formal controls.
   Gold standard.
   Real bills, needs of trade. "Qualitative controls",
   ~~real bills~~

6. Real turnover of bank loans, as vs. V of M.

7. Macro as relations of sequence.
   Cap. thy. as bridge, micro/macro.
   Normalized models
      Forest
      Multipliers
   Possibility of "glitches".

8. Inducement to invest.
   a. Basic math
   b. Policies to influence

9. Ability to invest - sources of loanable funds
   a. Recovery of prior investments. i) Depn. ii) Sale of goods.
   b. New savings
      i. Money saving.
      ii. Foregone income - implicit saving
      iii. " dividends - corp. saving
   c. ΔM
   d. Role of land gains.
   e. Leakages from K recovery.
   f. Cause of major crises: cumulative, self-reinforcing loss of loanable funds.

10. Fiscal Policy.
   a. Crowding-out: $\Delta G \rightarrow -\Delta I$.
      Basis of LM curve. Liq. pool finite.
      Is G the moving force, or G-T?
   b. Deficits via tax cuts: "business Keynesianism".
   c. Deficits via ΔM: FMP combined.
      Monetizing the debt.
   d. Changing structure of taxes: true "supply-side" ecs.
   e. "Pulling K out of thin air". TANSTAAFL + TITSTAAFL. Signs of Dismal ecs. vs. constructive ecs. of warranted optimism.

11. ~~The~~ Unlimited growth on a limited world.

~~12.~~

12. Threat of major crisis.

a. Cumulative dry-up of cap. recovery: a macro "trap".

b. You have to do several things wrong at the same time to get major crisis.

- Conc. of assets
- High rigid prices
- Bank collapse
- Withdrawal of fn. K.
- Prolonged misinvestment of K beforehand

13. Supply-side eqs.

1 Apr. 81 Ec. 100 B

Why care? 1, Sympathy 2, Fear. 3, all wages move together.

1. lag in real wages, from 1978
2. Children in poverty, up 52%, 1975-85.
   40% of those in poverty are children
   20% of all children live in poverty
   Poverty ≡ $8,000 inc. for 3
3. 15% of Amers. live in poverty — 35m people.
   Some are homeless
   More are "pre-homeless" — 3m renters w. incs < $3,000, paying 72% of inc. for rent
4. ~~Same in Europe~~ 2/3 of jobless get no benefits.
   ~~10%~~ Fed. has ~~cut~~ cut way down.
5. Europe, the same. 11% unempl. in Common mkt.

✓ 6. Jobs being destroyed.
   Boswell, '85, laid off 600 + 2 salaried employees. But no sell any land.
   '84 Tenneco - Case acquires Ft, closes 400 dealers.
   85 Knudsen acquires Foremost, lays off 400/3,000 jobs, or 13% ~~of~~
   Chevron acquires Gulf, cuts jobs 20%
   Assets = $1m/employee, vs. 5K for Singer + Mattel — about 200 times as much!
   Texaco - Getty
   SP.
7. 29,000 prostos. in NY under 16.

4-5-85 Super Notes. Not all used, return for more ideas.
4-86.

What is Macro?

I. A search for choices (in order to unclog them.)
Wd. be "fallacy of comp." to catalogize.

There is no obvious demand limit for whole eco, as there is for avocados. Trade goods for goods, all expand.
Some demands grow less, like p to s; but others grow more, like travel, reading, entertainment. Some choose leisure voluntarily, no hours there.

Strange thing, hungry, needy people -- there is demand -- can't find work. What is missing?

(1.) Nat. ress?

(A) Malthus. Ress. fixed. Dim. rets. Iron law of wages. Senior, Ireland, dismal science.

(B) Others saw not a nat. scarcity, but engrossment + underuse.

1. Jewish prophets: Amos, Jeremiah, Isaiah
2. Greek Solon
   Romans: Gracchus bros
3. Every land + clime. LDCs today.
4. Quesnay (Jefferson his disciple)

Enclosures, or "land monopoly"; (over)

5. A. Smith. Spanish vs. English colonies (El Salvador, Las Catorce). [Add Russian. Eur. expanded over half the world, but no gain to Latins or Russ.]

6. J. S. Mill.

Pope John Paul II 7. H. George

8. --- ? T. Veblen, Absentee Ownership

9. Data from today (over)

C. George also saw Δ pop. as yielding Δ aggreg. returns, thru synergy. It was another fallacy of comp. to project diminishing rets. from single parcels to whole etc.

Tech. advance also helped

Cap. formn., too.

This view has generally prevailed. Res. scarcity has been largely omitted from macro. But not the way George saw it. George saw engrossment (specn., absentee ownership) overcoming synergy, unless tamed by reform.

~~Marx~~ The view that prevailed was more like Marx's — nat. ress. irrelevant. But it came with neo-classic micro: K is perfect subst. for land, infinitely expandible, by K. formation.

D. RFF studies of terms of trade

Generally supported anti-Malthusian position.

Primary products keep falling.

Raul Prebisch.

much reduced demand for labor, and created pvt. rent. "MP" becomes diff. from AP. No unempl. when all lands are open.

a. New jobs all come from small firms. Peters & Waterman. In Search of Excellence.

b. Large firms use fewer workers w. their land.

Saigon, $5,000 / worker

So Cal (Chevron), $240,000 / wkr., book value
$500,000 / wkr., merger value

c. Census of Agric.

The larger the farm, the fewer workers / acre.

Texaco, 71,000 a.

d. Merger movement in Wis.

Class I fms: 22% of land
7% of labor

Reduced payroll.

e. Polly Roberts' one reserve.

In chem. terms, land conc. in strong hands has low valence for labor.

All this tends to get buried or misinterpreted bcs. of undue influence of large firms on our thinking. They have the money, & many sell out. They give grants. Wm. Voelker Educ. Found. Shell Chem. Co. A dozen rt. wing think tanks.

"Liberalism" has been diverted away from those fundamental things bcs. they get into distr. of wealth, power — dangerous stuff. Preferred the inflationary panacea, the course set by W. J. Bryan.

But RFF did it. I became persona non grata for telling them so, 1971-72. supporting Club of Rome They omitted all subsidies; and all xptn. costs; + all mily. costs.

I moved to Canada. Nixon, Kissinger + Viet Nam, too much.

1973, OPEC struck. Canada was great, rolling in oil + gas, reliable ferry service, etc.

Oil jumped to $30/bbl. Gas used to be 20¢/gal.

Cartel control one factor. But res. scarcity also.

E. Meantime, neo-Malthusians + were objecting. Commoner vs. Heller, debate.
Age of Limits. Ecology, env., pollu.

Gov. Brown is out; but The Greens are ~~rising~~ rising.
Audubon Soc., Sierra Club, EDF, strong.

Ch. 16 of Worcester as used (Ch. 2) speaks to these concerns. GNP measures wrong things. Object of policy shd. not be to max. GNP, That is why I emphasize empl. We can be sure that unempl. is bad.

We can't be at all sure that ATVs are a net gain. Or:

Tobacco
P.A. systems
Cross-land commuting
~~Ill~~ Ill health ff. by visits to Dr.
Overweight + trip to fat farm
Paying admission to Yosemite
Polluting upstream + treating wtr. downstream
Hauling trash further

GNP as G.N. Pollution. (We don't consume anything - we just turn it into garbage.)

We use twice as much energy/cap. as 20 yrs. ago. Are we twice as happy? You weren't around, but we were just as happy then, + much more serene. Listen to the old time music. We have no Verdi today; no Michelangelo

Environmentalists remind us of more than Nature. Beware of materialism.

Here again, empl. makes a better good. Take given materials from Nature, put more work into them, result is less "materialistic". An avenue for ec. growth w/o spoiling + looting the earth.

F. Another ~~limit on~~ defeat of Malthus was expansion into new worlds:

Anglos into U.S., Canada, Australia - N.Z., parts of Africa & Asia (along w. Dutch, Germ., French, Irish, Scand., Italians, etc.)

Hispanics into Latin Am.

Russians into Asia.

Engrossment prevented much gain except to Anglos. Anglo frontier another problem: boom & bust.

People moved nearer to ress. Thus brought them into ec. w/o adding xptn.

Challenge today is to ~~convert~~ modify this old frontiering tradition to limits of earth. Bcs:

a) The earth is round

b) The mily. cost of holding more than our share is extremely hi. Viet Nam showed us that.

To unclog this choke we need more ~~to~~ massively away from materialism: more jogging, less powerboating.
More use of intensive margin; less of extensive.
More downstream; less upstream.
More processing; less extracting.
More husbandry; less rape.

(2.) Money

Pretty tame cfpd. to The Earth. Easily printable. And if not, prices can fall.

But can be a problem.

A. Bad experiences w. past inflm. have caused instl. controls on ΔM. Hyperinflm.

John Law, 1720
Assignats, 1789 + Mandats
Continentals, 1776
Wildcats, 1830s
Greenbacks, 1860s
Shinplasters, "
Mark, 1920s
Yuan, 1940s
Shekel, 1980s. Various pesos.

B. But these controls, once in place, can prevent ΔM when needed.

E.g. U.S. 1893
Eng., 1920s
U.S., 1929-33

C. Why needed? U.S., 1933, half the banks failed.

Why failed? Collateral values collapsed. The big dirty secret the monetarists never tell.

Why collateral values collapse? A systemic problem which monetarists are trying to sweep under the rug.

They trivialize the causes -- some Gov. of N.Y. Fed zigged when he shd. have zagged.

D. How solved? Fed. debt replaced pvt. debt as collateral. This is half of what Keynes was all about. -- the net effect of Ch. 4.

Most debt is "defaultable"

E. Now again, Fed. debt is small part of bank collateral. But massive expansion may be covering that.

also, new forms of money.

(3) Spending

M·V is what counts.

We will have a whole session on what determines V.)

In general, not a serious problem
a. Has been rising steadily for decades
b. Can be pepped up by ΔM.

Thus, the Keynes model you just studied is regarded today as a bogeyman. Still, it has a long history of dominating the near part of macro theorizing; most forecasting models are built on it. Also a longer history, hundreds of years, hoarding has been a successful bogeyman, etched deep in the cultural subconscious.

Assuming const. V is bad, but Keynesians are worse, models built on ass. of falling V.

M
Low P
Antic. ΔP
Hi i.r.
Antic. -Δ$ i.r.
Tech. advance.
Steady flows of inc. + exp.
New money subs.

Ky. analysis is a surrogate for what is really bad: fall of real turnover. As exemplified by bank loans.

(4). Capital

As absolute quantity? Not likely

a. Much cap. subs for labor, viewed in parallel.

Cattle, sheep -- enclosures

Trees

Farm machinery

Labor-saving indl. machinery

b. Viewed in sequence, cap. is a device for spreading labor over more time.

E.g. build a house w. stouter mtls. No more service/yr., but more yrs. of service. Apply labor less often.

Trees: bamboo vs. Doug.-fir.

c. Nightmares of John Henry, Karel Capek, & Ned Ludd

It's easier to think of labor-saving K than labor-using K.

So whatever else K may be, not clear it causes empl.

d. "Cobb-Douglas" assumes this.

⑤ Flow of K, or gross invt.

Classical Econs. saw this as major problem. Shortage of front money (currencies). Circ. cap — ready or ripe or liquid.

Quesnay; Smith; Mill; (Marx?)

assmts. from Ricardo: Jevons: Haberler (re Spiethoff); Wicksell: Gaffney.

~~This~~ a shortage of liquid K can make the ec. machine seize up, or freeze. It is not "glitchless", like Micro. K is not always freely adaptable or convertible from solid to liquid forms (from clay to putty). Solidifying or freezing K is irreversible over long pds. The problem is self-aggravating when liquid K is needed as a ~~flow to~~ solvent to activate the solid K. — e.g. raw mtrls for a factory; feedstock for refinery; ivry for store; gas for a car,

Mult. model bypasses this. Deals only w. circ. of M (spending) as the supply responds automatically, -- both a) supply of factors, and b) supply of goods for them to consume. No infln. (or if there is infln., there is no other way to A supply except to A money spending.)

Wages-fund thy (shd. be wages-flow) says

to generate real income, K advances "subsistence" to labor.

Subsistence = ripe goods
consumer goods
service flow
goods ready to consume
liquid capl.
circ. ready

Analogies: (Examples, rather, usable as allegories a metaphors)

1. Wood burns from the surface. Excision is all surface, burns whoosh!
Sticks burn slower, longer.
Logs burn very slowly. Much storage, little action. May not burn at all w/o kindling to keep it going -- fixed K needs working K. (or other complay. K, as CWP needs assocd. K.)

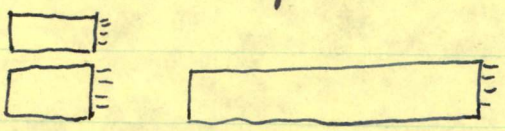
2. Abrasive cutting wheel.‡ Only the exposed edge cuts — the rest is storage, waiting to come to surface.
T.P.
1 large roll vs. 20 small rolls.

‡ Like a UCR Dean

~~Tektor Tip~~

3. Pipelines, long & short. $F_{und} = F_{low} \times P_d$

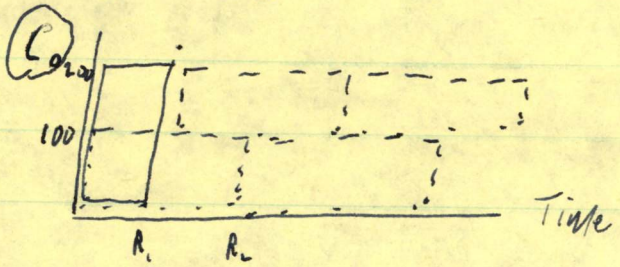
$$P_d = \frac{F_{und}}{F_{low}}$$



To Δ flow, reduce P_d.

4. K in humbinger joint vs. planting Doug-fir.

5. Wicksell & wire



In case 1, invest 100 at T_0, hold for 2 yrs. Then reinvest

2, invest 200 for 1 yr. Double volume w. same K. The "action edge" of the K is doubled.

Wicksell is not stressing the bottleneck. On contrary, his purpose is entirely optimistic & constructive, he is showing how valences can adjust.

To show that he selected an e.g. where adjustment is easy.

The problem comes when adjustment is hard, for physical or instl. reasons.

Some e.g. of lead adjustments.

1. WPPSS; IPP
2. Oil found in High Arctic — then demand drops.
3. Fuzzy K.
4. Drilling rigs.
5. Stump House Mt. & Hoosac Tunnels (1850s).
6. State + Fed. wtr. supply projects, planned to yield 3% or less. -- before cost overruns. E.g. Granite Reef Aq.
7. 40 yr. mortgages by S+Ls, Ins. Co. etc., before cost of funds leaped up.

All these are like big logs in the fire. Rate at which they release value is preordained by their physical structure. Can be slower than planned, but rarely faster.

So a shortage of liquid K, signalized by a high i.r., cannot thaw out this capl. Hence, a crisis is possible.

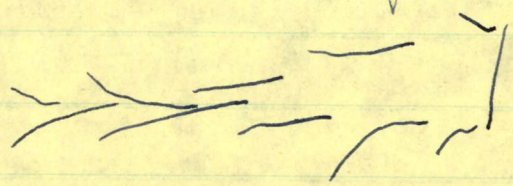
"Now it can be a glitch, that's a son of a bitch when inv. is in for too long a hitch."

K:O ratio. Back to #5, p. 12.
The 1-yr. cycle has K:O = 1.
The 2- " " " " = 2.

The K:O is the pd. of inv.

In U.S., K:O ≅ 3. But mean pd. is much longer than that. E.g. land, K:O = 0, but pd = ∞.

The best metaphor for macro is the pipeline metaphor. (same as stream)
It allows for epicycles of inv.



V.G. ~~news end of~~ downstream gets realized much faster than upstream.

The Fund/Flow ratio

Note how slow T Moves both supply side and demand side, in real terms. (Money can still circ. but vs. a slower flow of goods: Stagflation.)

6. Monopoly; controlled prices; artific. scarcity:
"Structural" problems — waived aside by "mainstreamers" ("herd ecists" ∇= into ∇= vulgarians)

A. At times, a bad bottleneck.

R.R. rates, 1930s. Most trains.

Alcoa.

Steel

But on whole, too simple by far.

B. Cartels are more common. Problem comes out much differently: raises K:O.

Must inv. K to join the cartel. Price-umbrella encourages.

E.g. fruit prorates, ff. by subsidy to wor. supply.
Tx's. oil -- drill more wells.
Fishing -- build more boats.
Soil Bank -- ff. by many subsidies to farmers.
E.g. UCR ag. extension.

Microcosm of macrocosmic problems

a. Restrict s.r. supply
b. Valorize land, titillate widely, spread floating value
c. Pour in ~~de~~ K, build up future capacity. Keynes made this seem super: soak up "inframarginal" inv.

(7) Unions 2090

But they may drive land & cap. ~~into~~ out of labor-using products & processes.

(8) Taxes. Yes - if variable & on labor.

Payroll; prod inc; net civil sales

Fixed cost taxes are supply side,
Laffer (but is hypocrite)

(9) Govt. reg?
Cartels -- ag. program
Averch-Johnson effect.
Urban renewal

(10) S.O.C? The way the govt. spends money.
Problem of artificial abundance of land;
shortage of capl.
Partial funding -- building in stages. Defer completion

Waste in mily. budget. Keynesian hawks,

(11) Knowledge?

Wrong knowledge. Prof. Cabot Lodge at H.B.S.
Our obsolescence — locked into obsolescence.
Japan's emphasis

(12) Leadership?

Misguided Am. corp. leaders
~~At~~ Undermining assets.
Grabbing for more.
Alienated from shareholders, workers, customers, neighbors. Spin products of absentee ownership.

(13) Productivity.?
Undefined.
In some sense is always good. But there is phoney productivity, ~~if~~ Δ AP of labor by wasting land & capl.

Can also Δ AP of W by forced cap. accum, as in Russia: ~~if~~ raises taxes. Violate consumer preferences. (We also do that in Bri. public utility)

(14) Conc. of wealth & power?
Yes. See ticked items.

(15) Failure to reward functional activity.
Unearned inc. for anyone means loss to others, less incentive to work.
Parasitic behavior? Many kinds, & is some diff. of opinion. ~~But~~ Some is unconscious.

a. Oil royalty collector, w. depln. allowance.
b. Medicare recipients, of older generation.
c. Land spec. who get P.W. built for their special gain, and cost > gain.
O'seas owners call in military protn. Vietnam, in part. Not that Am's owned much in VN, but all around, & had domino theory.

d. Crime. No true. Oliver.
e. Recreation. Golf, vs. old Ducking Stool, or Stocks. L.A. country club

(16) Perverse supply ∈ of labor?
Is a variant on "unempl. is voluntary".
May be true of the elderly — but they are not counted as unemployed, and they are living on capl., not wages.
It is the structure of rewards, more than their

level. What affects incentives to work.

100B, 4-3-85

I. Exciting times to be studying macro

1. Shaky banks, S+Ls, pension funds.
   FCA
   Ohio closure.
   Cont. Ill.
   B of A
   Seafirst
   Penn Square

   Bad loans in energy, ag, + r.e. Utilities, too.
   Are we teetering on edge of fncl. collapse?

2. Humongous fed. deficit.
   " trade ", coupled w. strong $ + hi real i.r.

3. Macro theory in flux. Party positions, too.
   Old Gods are dead; new ones waiting to be born.
   Demos., who favored deficits to stimulate, now embrace crowding-out. Repudiate. Ch. 4 of W.
   Repubs. rep. a welter of competing ideologies. (Neither party has any monpy. or stupidity.)
   a. Supply side
      Laffer in, then out, now running for office.
      Kemp.

b. Monetarists. Let i.r. soar.

c. Cap. shortage. Productivity. Tuke
Denison. Kendrick.

d. Banking alarmists
Minsky; Felix
Upgren, Edmunds
Heilbroner

e. Crowding-out. Feldstein

f. Rational expectations.
Nothing matters: Nihilism.

4. No new text has begun to catch up. ∴ use RBR.
Hold on T.A.!
Sherman -- too much leaning on Say's Law.

II. Problems

1. Poverty amid plenty
1879, H. G.
Homelessness
Corollary of soaring l.v.
Motel dwellers, too. No front money.
Substandardness
their usefulness. Some are subhuman. No provision; no outlet for
80% of homeless are down on their luck.

Unempl.
8% ± 3%.
"Job search" - ~~that~~ Have to be a true believer to buy that. You needn't quit one job to look for another.
Welfare preferers? A few, perhaps. But half the unemployed have run thru unempl. benefits.

Unempl, not the cream of the crop. Bad work habits: flakey; irresp. Not everyone is afflicted w. the work ethic to same degree. But why can't jobs be geared to nature of people, rather than ~~it~~ making people all fit same mold?

Core Manias of unempl.
Extended apprenticeship; credentials.
Early retirement
Crime
Imperialism to make jobs & secure feedstocks.
Pork-barrelling
Acceptance of waste
Featherbedding (Beams at UCR)
Students' Problem — Stunting of dev. by grasping for security, sexism in
" " free speech
Frustration of mothers returning to job mkt (whether pushed or pulled)
Invasion of wilderness; pollution.

2. Crises, panics, busts. Spectre of 1929.
On milder scale, instability.
Enormous losses suffered.
E.g. Peoria Today. Houston. Rust Belt.
But these are partial. 1929 was everywhere.

3. Overuse of subsurface nat. res., to make jobs
Env.
Ecology
Wilderness & scenic areas.

~~4.~~

Invasion of other people's countries

Mercantilist posture. Control their ress. + their govts. so they must send their primary products for processing, here.

(Marxists say to force them to buy our exports, but ~~Japanese case hardly supports that~~ our large import balance clearly supports that interpn.)

4. Capl. shortage. Lagging cap. formn; export of K.

Misdirected inv. of past, surplus. E.g. civ's. But acute need for new K. ~~Other glove.~~ Two left gloves.

Inrush of foreign K to buy up the country.

Frozen K. Can't prime the pump w. block of ice.

~~5.~~ Rise of i, after inv. made, lowers their real value -- a loss of K. Snowballs.

~~5. Shortage of investable funds. flows a. Poor opps. b. short supply.~~

~~6. Inflation.~~

~~M, V, + T~~

~~7. Bank failures.~~

~~Result of cycle in collateral values.~~

5. Shortage of inv.
(Inv. is a flow; K a fund.)

Inv. is what employs people. Money up front. Prime the pump.

Can't prime the pump w. ice. Frozen K yields no recovery to be reinvested. Sluggishness, slowdown, torpidity...
$I = K \cdot T$.

Lack of inv. can also come from lack of opps. Keynes etc. took that tack, (based on old Marxian thesis that we run out of inv. opps., "declining rate of profit.") But with hi real i.r. and fu. cap. pouring in, and unemployed, that seems less plausible (except when collateral values are falling, lenders may think opps. look bad.)

6. Infln. Infly expectations — followed by non-flation. On-and-off, unpredictable infln.

7. Bank failures.
Pension funds failing.
Insecurity of savings.

8. Import balance.

Borrowing from abroad, not to create K but to lower U.S. taxes!

9. Slow replacement of U.S. K stock
Aging, obsolescence.

(Focusing of Govt. support on declining rivers instead of growth rivers.)

Even when we get a tech. jump, we are too slow to get that embodied in the K stock.

10. Declining U.S. real inc. cf. rest of world.

11. Slow growth, cf. Japan, Gy. etc.

Many other problems are imaginary.
Will discuss them later.

Macro syllabus. 585

Sequence, rdgs.

1. Intro. Exciting times.
   shaky banks; fed. deficit; theory in flux; no new face.
2. Problems
   1. Poverty & Plenty
   2. Cities
   3. Env. & wilderness
   4. Cap. shortage
   5. Inv. "
   6. Inflation.
   7. Bank failures
   8. Import balance -- trade deficit
   9. Obsolescence — slow replmt.
   10. Declining relative real inc. U.S.
   11. Slower growth
   12. Imaginary problems — discuss later, - in #7.
3. Potential Macro bottlenecks: ~~alternative~~ what ~~go~~ limits prodn. & empl?
   1. Land
   2. Money
   3. Spending
   4. Capl.
   5. Inv., a turnover x K.
   6. Monop. + ~~rigid~~ ~~w rates~~ rigid ∅ pricing
   7. Unions
   8. Taxes

9. Govt. regns.
10. S. o. c.
11. Knowledge ~~#~~ (tech., & its distribn. & embodiment)
12. Leadership (mgmt. dedicated to produ.)
13. Productivity
14. Concn. of ec. power -- impacts #1, 3, 5, 6, 7, 8, 9, 11, 12.
15. Perverse supply ~~&~~ of labor? (Structure, not level of wages

4. Basic N.I. acctg. (Ch. 2) (affects incentives.)

5. Keynes' model ~~of forces governing the skeleton form of~~ spending: (Ch. 3) "No-thermostatism".

6. Keynes' model of control thru fiscal policy (Ch. 4). The fairy tale of offsetting leakages: the reality of creating collateral.

7. What is Macro? To ~~dispose of~~ screen out imaginary problems. Dogmas in the social subconscious. Macro ~~vs.~~ and micro.: finance as the bridge. Fnl. distr.

8. Micro solutions to macro problems: supply-side with unadaptable capy. effects on demand.

~~9.~~

9. Money, banking, & monetary theory. (Ch. 11, 17) H. D. Simpson; Felix. Nichols

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Personal income for December, 1978

Millions of dollars (not adjusted for seasonal variations) State and region	Dec. 1978	Dec. 1977	Percent change versus year ago	Year to date	Percent change versus year ago
NEW ENGLAND	$8,965	$7,892	+13.6%	$99,529	+12.1%
Connecticut	2,548	2,258	+12.8	28,163	+10.6
Maine	641	561	+14.3	7,114	+11.6
Massachusetts	4,292	3,764	+14.0	47,726	+13.1
New Hampshire	561	497	+12.9	6,305	+13.2
Rhode Island	633	558	+13.4	7,015	+10.6
Vermont	290	254	+14.2	3,206	+12.6
MIDDLE ATLANTIC	28,012	25,031	+11.9	313,158	+10.6
New Jersey	5,924	5,320	+11.4	66,502	+10.3
New York	13,651	12,297	+11.0	152,514	+ 9.8
Pennsylvania	8,437	7,414	+13.8	94,142	+11.9
SOUTH ATLANTIC	22,692	19,948	+13.8	251,221	+11.7
Delaware	480	403	+19.1	5,032	+14.6
Dist. of Columbia	565	522	+ 8.2	6,372	+ 6.7
Florida	5,674	5,001	+13.5	63,043	+12.5
Georgia	3,129	2,768	+13.0	34,584	+11.9
Maryland	3,119	2,784	+12.0	34,581	+10.1
North Carolina	3,316	2,931	+13.1	37,180	+12.3
South Carolina	1,648	1,474	+11.8	18,365	+11.5
Virginia	3,626	3,133	+15.7	39,703	+11.9
West Virginia	1,135	932	+21.8	12,361	+10.4
EAST NORTH CENTRAL	30,755	27,570	+11.6	340,325	+10.5
Illinois	8,833	8,065	+ 9.5	99,630	+ 9.3
Indiana	3,711	3,308	+12.2	41,507	+11.6
Michigan	7,287	6,461	+12.8	77,769	+10.6
Ohio	7,731	6,938	+11.4	85,986	+10.7
Wisconsin	3,193	2,798	+14.1	35,433	+13.3
EAST SOUTH CENTRAL	8,180	7,122	+14.9	89,280	+13.1
Alabama	2,152	1,848	+16.5	23,773	+13.9
Kentucky	2,218	1,878	+18.1	23,536	+14.4
Mississippi	1,228	1,065	+15.3	13,383	+12.4
Tennessee	2,582	2,331	+10.8	28,588	+11.6
WEST NORTH CENTRAL	11,721	10,251	+14.3	128,757	+12.4
Iowa	2,061	1,768	+16.6	22,449	+12.5
Kansas	1,723	1,479	+16.5	18,619	+12.8
Minnesota	2,765	2,436	+13.5	30,735	+12.7
Missouri	3,300	2,956	+11.6	36,232	+11.6
Nebraska	1,058	923	+14.6	11,682	+12.0
North Dakota	421	352	+19.6	4,628	+12.4
South Dakota	393	337	+16.6	4,412	+15.3
WEST SOUTH CENTRAL	14,036	12,551	+11.3	156,335	+12.8
Arkansas	1,197	1,058	+13.1	13,220	+12.8
Louisiana	2,285	2,047	+11.6	25,493	+11.6
Oklahoma	1,815	1,594	+13.9	20,140	+12.5
Texas	8,739	7,852	+11.3	97,482	+13.2
MOUNTAIN	6,839	5,889	+16.1	75,425	+14.9
Arizona	1,563	1,325	+18.0	16,758	+13.6
Colorado	1,904	1,605	+18.6	21,006	+14.3
Idaho	540	490	+10.2	6,151	+15.4
Montana	536	468	+14.5	6,001	+22.1
Nevada	516	463	+11.4	5,798	+14.5
New Mexico	723	633	+14.2	8,061	+15.7
Utah	774	651	+18.9	8,406	+14.4
Wyoming	283	254	+11.4	3,244	+11.6
PACIFIC	23,216	20,348	+14.1	257,740	+13.2
Alaska	388	382	+ 1.6	5,379	+24.3
California	17,652	15,414	+14.5	194,094	+12.3
Hawaii	661	601	+10.0	7,453	+13.1
Oregon	1,712	1,468	+16.6	19,088	+15.4
Washington	2,803	2,483	+12.9	31,726	+15.5
U.S. TOTAL	$154,416	$136,102	+13.0%	$1,711,770	+11.9%

Latest month preliminary; all other data revised

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Resulting in more employment!

1978's startling sag in real wages

The year 1978, marked as one of rapid increases in employment as well as prices, turns out to deserve a somber footnote: It can now be recorded as the first full year in the nation's four-year-old recovery when real average purchasing power took a tumble.

In personal income, the 1978 gain was 11.9%, according to BUSINESS WEEK's monthly tabulation by state, compared with a downward-revised 10.8% in 1977. But inflation rose comparably, from 6.5% in 1977 to 7.6% in 1978. So the increase in incomes when adjusted for prices just matched 1977's 4%.

Last year's income performance looked weaker still, however, when measured against the robust behavior of employment: Nonfarm jobs rose by 4.3%, compared with 3.6% in 1977 and 3.2% in 1976. So for the first time in the current upturn, real purchasing power rose less rapidly than the number of nonfarm employees. And part-time work, which became proportionately less common, was not the cause.

Manufacturing gains. The Commerce Dept.'s functional breakdown of the national personal income totals tells the same story (table page 52). The largest component, wages and salaries (before fringe benefits and personal contributions for Social Security), rose by 11.9%. But this works out to 7.3% per employee, allowing for the increase in jobs. So after adjusting for 1978's 7.6% inflation, earnings per worker were down by 0.3%. In government, both the 2.6% job gain and the 4.9% rise in average earnings were low; after correcting for prices, average pay fell by 2.5%.

Only the highly unionized manufacturing sector achieved an increase in real earnings per worker, amounting to 1.1%. In the "other production" sector, consisting of mining and construction, an 8.8% employment surge accounted for most of the impressive rise in payrolls.

Among the other income categories, farm proprietors were the standout performers, with key boosts coming from beef supply shortages and government price-support programs. Gross cash receipts from livestock sales rose more than $10 billion, despite a 0.6% fall in total meat production. Rental income of persons was the only other nonwage sector, aside from unemployment compensation, that failed to keep pace with

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FEDERAL EXPRESS

WHEN IT ABSOLUTELY, POSITIVELY HAS TO BE THERE OVERNIGHT.

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inflation. Unemployment payments declined for the third year in a row, as joblessness continued to fall.

The advancing age of the recovery changed the distribution of income gains among the states and regions during 1978. The Federal Reserve Board's index for production of consumer durable goods slowed from an 8.3% growth rate in 1977 to only 3.8% in 1978, and domestic automobile production actually fell by some 40,000 units. As a result, the heavy-industry East North Central region, which was second in income growth among the nine census areas in 1977, ranked last in the cumulative income growth column for 1978.

Nationwide, only 13 states failed to show an income speedup in 1978. Four of these were in the East North Central region, and five more of them were among the 18 Eastern Seaboard states. The three Atlantic regions held the last three places for 1977 income growth, and aside from their being joined by the East North Central states, little changed in 1978. New England just barely exceeded the national average growth rate, marking the first time that any of the East Coast regions had done this since 1974.

Setting the pace. Prosperity was more marked in the Western states. Continued high prices and demand both for farm output and for energy and other minerals enabled the Rocky Mountain states to set the nation's income growth pace for the second year running. The Pacific states, which also benefited from surging aerospace orders, moved up from fourth to second place.

Who got the gains in 1978 personal income

	Billions of dollars	Percent change from 1977
Total wages and salaries	**$1,100.9**	**11.9%**
Manufacturing	299.9	12.6
Other production	90.3	16.7
Distribution	268.9	12.5
Services	225.8	12.8
Government	216.1	7.6
Farm proprietors*	**25.3**	**25.2**
Nonfarm proprietors*	**87.8**	**10.4**
Rental income*	**23.4**	**4.0**
Dividends	**49.3**	**12.8**
Interest	**159.0**	**12.6**
Transfer payments	**226.0**	**8.2**
Social Security	117.4	11.8
Unemployment insurance	8.9	−28.8
Welfare and other	99.7	9.2

*Adjusted
Data: Commerce Dept.

Personal income data for the month of December alone reflect the general acceleration of economic activity and prices during the fourth quarter. BUSINESS WEEK's compilation by state shows a monthly income gain of 1.8%, the highest since September. Seasonally adjusted Commerce Dept. totals for the nation as a whole show a pickup to a $25 billion gain in December, the biggest since June, 1975.

Coal's impact. Wage and salary gains were fairly steady at about $12 billion. Manufacturing payrolls slowed from a $6.1 billion rise in November to $4.6 billion in December. Farm proprietors' income was again the standout for the month, as unusually heavy yearend crop support payments from the government added $3.5 billion at an annual rate to this sector.

West Virginia led all states in 12-month income growth, thanks to the earnings impact of the year-ago coal strike, which cut December, 1977, jobs in the state by 10%.

The same factor was at work in Kentucky, which led the East South Central region. Bituminous coal jobs in the state were up by 29,100 from their year-ago strike level, more than offsetting a drop of nearly 12,000 jobs in other sectors of the Kentucky economy. ■

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POOR: Poverty Up 52% Among Children, Study Finds

Continued from Page 1

Rep. Charles B. Rangel (D-N.Y.), one of the members of the House Ways and Means Committee who commissioned the nine-month report.

The number of children in poverty in 1983—the latest year for which figures were available—was the highest since 1965, before President Lyndon B. Johnson launched his War on Poverty and dramatically increased federal spending on the poor. By 1969, the child poverty rate had been cut in half from what it had been a decade earlier.

But since then, the report said, the number of poor children has increased steadily and rose "especially sharply"—a total of 35%—from 1979 to 1983, a period in which President Reagan initiated deep cuts in social spending.

By 1983, more than one child in five was living in poverty, according to the report, conducted by the nonpartisan Congressional Research Service and the Congressional Budget Office.

"I just wonder what happened to that 'safety net,'" said Rep. Harold E. Ford (D-Tenn.), chairman of the Ways and Means subcommittee on public assistance, referring to Reagan's stated intention to protect the "truly needy."

For statistical purposes, each member of a family is judged to be poor if a family's pre-tax cash income is less than three times the cost of a nutritionally adequate [illegible]

Social Security income. Reflecting the rise in Social Security benefits, overall spending for the network of anti-poverty programs—a figure often cited by the Reagan Administration to illustrate its commitment to the "safety net"—climbed 83% from 1973 to 1983.

But total spending to families of poor children declined about 6% over the same period—reducing cash benefits to each poor child by 22%—while the population of poor children grew by about 30%, the report concluded.

Blacks, Hispanics Affected

In examining the poor, the study found that black children and those born to unwed mothers were by far the most likely to be poor.

"Almost half of all black children and more than one-third of all Hispanic children were poor," the study said. "In contrast, nearly five-sixths of all white children were not poor. . . . A black child was almost three times as likely to be poor as a white child."

Noting the "feminization" of poverty, the study said that almost one-fifth of the births in 1983 were to unwed mothers and that three of every four such children were poor. However, it also described a small "de-feminization" trend, showing that the poverty rate climbed faster among two-parent families than in single-parent families from 1978 to 1983.

Legislation was introduced Wednesday in both the Senate and the House that would strengthen "minimal levels of funding" for poverty programs cut in recent years. Sponsored by Sen. Daniel Patrick Moynihan (D-N.Y.), Ford and Rangel, the measures would cost an estimated $10 billion to implement.

Poverty Up 52% Among Children, New Study Finds

By ZACK NAUTH,
Times Staff Writer

WASHINGTON—The number of American children living in poverty totaled 13.8 million in 1983, soaring 52% in the last decade and reaching the highest level since the mid-1960s, a congressional study showed Wednesday.

Moreover, the huge increase occurred at the same time that federal spending on poor children declined, said the comprehensive 670-page report, released at a House subcommittee hearing. And, it concluded, "the poverty rate among children is not apt to drop very sharply" even if economic growth continues.

The study should "shock the conscience of this nation," said

Please see POOR, Page 5

Percentage of poor children rises sharply

5-23-85 p. 1

By MARGARET SCHERF

WASHINGTON (AP) — An extra eight children per 100 were added to the poverty population from 1973 to 1983, lifting the child poverty rate to 22.2 per 100, the highest since the mid-1960s, a congressional study reported yesterday.

In 1983, the last year for which statistics are available, nearly 13.8 million youngsters lived in poverty, and poor children represented 40 percent of the total poor population in the United States, the report said.

The study was conducted by the Congressional Budget Office and the Congressional Research Service for the House subcommittee on public assistance.

The poverty threshold for a family of three was roughly $8,000 in 1983, said Rudolph G. Penner, director of the CBO. It varied from about $5,000 for a single person to just over $20,000 for families of nine or more.

Unmarried mothers present the most severe child poverty problem, with three out of four children of such mothers being poor, the study said. And, it said, their ranks are growing.

More than one-sixth of poor children in 1983 were in families with at least one full-time, year-round job. "These poor children numbered more than 2.5 million," said a summary of the study. "Their existence belies the widespread view that a full-time job throughout the year is near-insurance against poverty."

The study showed that almost half of all black children and more than one-third of all Hispanic children were poor. In contrast, it said, nearly five-sixths of all white children did not qualify.

The number of poor children increased by 3 million from 1968 to 1983, even though the total population of children decreased by 9 million in those years, according to the study.

Rep. Harold Ford, D-Tenn., chairman of the subcommittee, said government spending for poor children has been decreasing during the past several years.

"Cash benefits per poor child declined 22 percent from 1974 to 1983, and the share of poor children served by the Aid to Families with Dependent Children program and food stamps has also declined," he said.

"If you are under 6 years old in the United States, you are six times more likely to be poor than if you are over age 65," said Sen. Daniel Patrick Moynihan, D-N.Y. "We are the first industrial nation in the world in which children are the poorest age group."

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2-17-85
p. 1

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Numbers Growing

Homeless — Left Behind by Recovery

By KEVIN RODERICK,
Times Staff Writer

Every weekday afternoon, when his classes at Sierra College of Business end, Walter Bannister takes off alone on a survival mission.

He slips away from the other students who are studying to be medical assistants and hurries across downtown Los Angeles to the Midnight Mission on Skid Row. If he makes it in time, Bannister lines up with hundreds of other men to pick up a ticket that allows him to go back three hours later and eat his only meal of the day.

Bannister, 24, sleeps most nights

First of two articles.

on a sandy children's playground off 6th Street, huddled near fires with two dozen other men and women. His only clothes are three shirts, two pairs of pants, cowboy boots and his white medical assistant's uniform.

Despite an economic recovery that has added 7 million jobs and cheered the outlook of most Americans, government efforts to help the homeless are failing to remove the Walter Bannisters from the streets of Los Angeles and most other cities.

Instead, their numbers seem to be growing, posing one of the most stubborn and potentially expensive social problems of the 1980s.

"It's not a media event," said Jim Pursley, who administers a federal food and shelter program for the United Way in Los Angeles. "It's a real problem."

Breakdowns in the nation's mental health care system, combined with the failure of the economic recovery to reach the bottom levels of American cities, have helped create what many recent studies say is a severely troubled underclass of people who live alongside the traditional winos and derelicts on the streets and in shelters and seedy hotels.

Half May Be Mentally Ill

Perhaps half of the homeless are mentally ill, according to recent studies, and fewer than half are able to obtain public assistance. For many, the welfare system is too confusing and the rules ineffective.

Reagan Administration cuts in social service programs, including low-cost housing construction and job training, are blamed by many local officials across the country for aggravating the problem. The further cuts in aid to cities proposed in the 1985-86 budget will do more damage, many big-city mayors contend.

Federal and local efforts to provide additional shelter have fallen far short of expectations. Gov. George Deukmejian has provided no money for shelters in his budgets. His New York colleague, Gov. Mario Cuomo, recently announced a $192-million budget for a package of measures to help shelter and serve the homeless.

Bannister, who moved to Los Angeles when he was discharged from the Army, displays no history of mental illness and said he does not use drugs or alcohol. His expe-

Please see HOMELESS, Page 3

Continued from Page 1

riences provide a glimpse into the homeless world.

Although he is a high school graduate, he said he has been unable to find regular work. Unlike many with whom he walks on the streets, his speech is steady and his thoughts clear. But he said no one will hire a smelly, disillusioned man with no address or phone.

Bannister recently discovered the complexity of the welfare system, which several studies say contributes to the misery of the homeless. His $228-a-month county relief grant was cut off last year, when a clerk reported that he was late for an appointment at the welfare office. His case was investigated and the termination was upheld.

So Bannister has been without any income except what he has collected by selling his blood and doing occasional odd jobs. Veterans' benefits and a federal Pell grant pay his tuition. Unable to afford the seedy hotels near his school downtown, he has been in and out of the missions and shelters. He, like others, finds that the 2,000 free shelter beds scattered around Los Angeles County are filled most nights.

Last week, a Legal Aid Foundation lawyer who had been looking into the case discovered that the county did not have legal grounds for cutting off Bannister's checks. His benefits will soon resume, but that income will not be enough to let him escape homelessness.

The homeless like Bannister present a paradox that government officials have been unable to unravel.

The unemployment rate has fallen to its lowest level in several years, and most people are optimistic about the future. But few of the new jobs created are the kind that can be filled by unskilled residents of the nation's urban centers.

Six million people have slipped into poverty since President Reagan took office, the U.S. Census Bureau says. Thirty-five million people live in poverty, and the official poverty rate—15.2%—is the highest in two decades.

At the same time, studies by the Congressional Budget Office and the nonpartisan Center on Budget and Policy Priorities in Washington say the amount of assistance going to low-income Americans—especially those at the very bottom—has declined.

'Poverty Problem'

"We do not have a shelter problem in this country," St. Paul Mayor George Latimer, past president of the National League of Cities, said at a meeting last month of the U.S. Conference of Mayors' homeless task force. "We do not have a hunger problem. We have a poverty problem."

Local officials around the country also blame Reagan Administration policies that have reduced the welfare rolls and eliminated most low-cost housing programs. Cities are falling further behind in their ability to provide basic survival services to the street people, the Conference of Mayors task force found last year.

"I think people would be flat-out shocked to see how bad it is in my city and absolutely horrified to see how pervasive it is in the larger cities," said Mayor Ted Wilson of Salt Lake City.

Recent studies by a variety of groups—including the National Governor's Assn. and the American Psychiatric Assn.—say the homeless represent a severely troubled slice of society that will not be able to heal itself without intensive help.

For every bag lady or young Vietnam veteran who simply lies down in plain view of evening commuters, there are others like Bannister—including some families—who hole up behind a fence or in an alley downtown or who seek refuge in yards and freeway shrubbery in West Los Angeles, Pasadena and most other suburbs.

Perhaps half need intensive medical help and counseling to become stabilized and to regain their footing in society, according to several recent studies.

Steep reductions in admissions to state mental hospitals and the failure by the federal government and the states to support local care centers for the mentally ill have caught up with officials, and the homeless are paying the price, the American Psychiatric Assn. reported last year in a book-length study of the problem in Los Angeles, San Francisco, New York and other cities.

Nationally, a comprehensive system of care is needed, with an emphasis on meeting the basic needs of the homeless for food, shelter and clothing along with psychiatric care, the association said.

Homelessness among the mentally ill, the report said, has reached "unprecedented magnitude and complexity. . . . Hardly a section of the country, urban or rural, has escaped the ubiquitous presence of ragged, ill and hallucinating human beings, wandering through our city streets, huddled in alleyways or sleeping over vents."

Even the glittering Restaurant Row in Beverly Hills does not escape.

A pile of rubbish on a vacant lot

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Continued from Page 3

on La Cienega Boulevard proves, on closer inspection, to be a cardboard shanty housing an old man who rambles about his past with Gen. George Patton, the legendary World War II Army commander. Attendants at a YMCA Christmas tree lot during the last holiday season said they have seen the man there for three winters.

Forty miles away, in the Ventura County suburb of Simi Valley, volunteers who drove around looking for homeless on a February weekend discovered several dozen people living in parks and under bushes.

"You get to where you can pick them out," said Jeff Morris, chairman of the newly formed Simi Valley Christian Foundation for the Homeless. "It blew me away. There's one guy who's been living under a bridge for four years."

Government aid often does not get through to the homeless because, despite their status as the poorest of the poor, most do not receive welfare or public assistance and often scavenge, panhandle or steal to live.

A briefing paper prepared for the White House last spring said that less than 35% of the homeless receive public funds. Social Security is supposed to be available to poor people who are unable to work, including those who are mentally ill, and other programs are designed for families.

But the paper said many of the homeless are too confused to prove their disabilities, a problem that is especially acute for those who are mentally ill.

The paper, which recommended that Reagan issue an executive order simplifying federal regulations that hinder the homeless, was dismissed as incomplete by Administration officials who testified last year before a congressional subcommittee holding hearings on the homeless problem.

Loophole in Safety Net

The paper's findings and recommendations echo what homeless activists and a growing group of public officials from Washington to Los Angeles have been saying—that the homeless represent a loophole in the social safety net.

Government programs have failed because they don't take into account the unusual nature of the homeless problem, Skid Row veterans say.

Many homeless are not clinically ill, but they lack the ability to get along in a competitive, modern society. They often do not read well and may not know how to act in groups. Many have never worked. Many have no friends, and maybe they never did.

"We're getting people who have never done anything but wolf down food like a dog," said Lee Holthaus, director of the Union Rescue Mission in Los Angeles, which houses 800 men every night—500 on folding chairs—and turns away dozens. "We have to teach them basic things like how to eat and how to hold a conversation, how to fill out a form. We have to teach them some assertiveness and the discipline to get a job."

Not all cases are so severe, said Jeff Dietrich, who opened the Catholic Worker soup kitchen more than 10 years ago and has seen the residents of Skid Row change.

Some people cannot cope when their troubles mount up, when they lose their job, get evicted or their unemployment benefits run out, and they become homeless, he said.

They do not plan to remain homeless for very long, and many of them find homes, but the problem is worse today because fewer are able to escape once they get caught in the homeless rut.

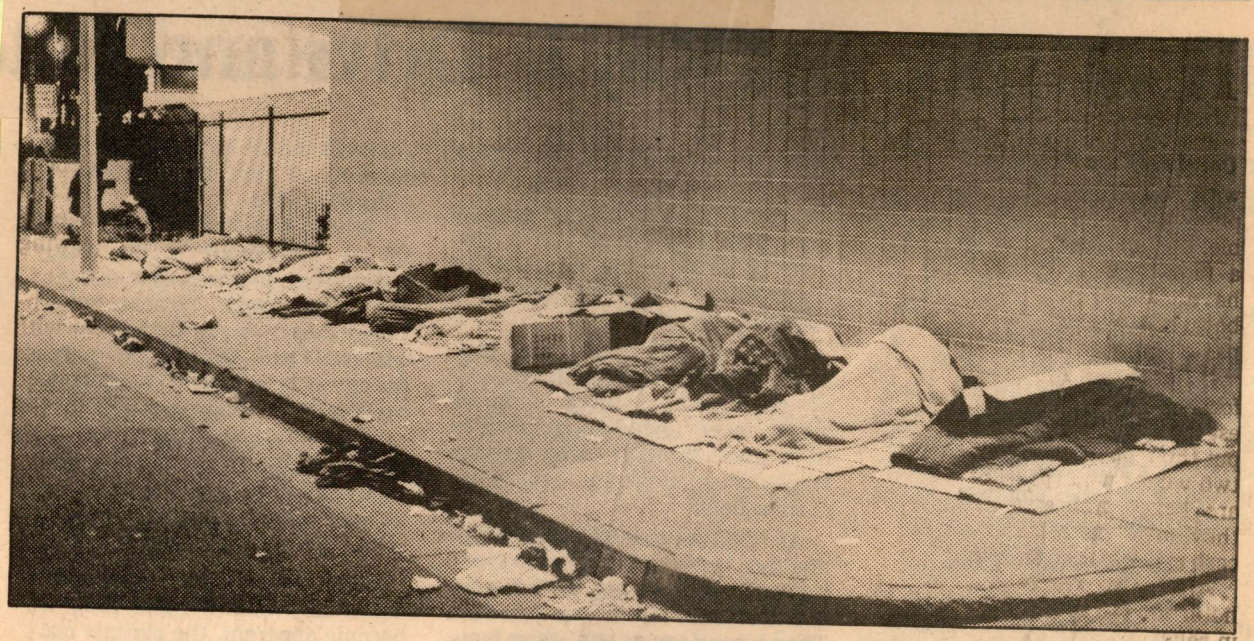
It takes at least $600 or $700, often more, to put down the first and last months' rent and a security deposit required to rent virtually any apartment in Los Angeles, said Dennis Albaugh, vice president of United Way in Los Angeles. Some try to sleep in their cars. If they don't have cars, they might try cheap hotels.

But even on Skid Row, where many of the hotels are infested

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HOMELESS: Life Among Derelicts

Los Angeles Times



KEN LUBAS / Los Angeles Times

Homeless line sidewalks outside Skid Row's Midnight Mission, which was full for the night.





HOMELESS: Economic Gains Fail to Reach Society's Poorest



KEN LUBAS / Los Angeles Times

Business student Walter Bannister in his makeshift home on a playground off 6th Street. Below, another playground resident greets the day and woman settles in for night in 3rd Street tunnel.



KEN LUBAS / Los Angeles Times

Joseph Dooley, 62, sits on a milk crate under an overpass, watching Hollywood Freeway traffic. He said he has been on the streets for years, since losing his railroad job.

Continued from Page 32

with rats and cockroaches and the plumbing and heating are unreliable, the cheapest rooms go for $220 a month—paid in advance. Most have raised their rent to $240, because that is the rate the county pays for rooms.

If they are homeless and qualify for county general relief, the lowest form of welfare, the county will put them up in Skid Row hotels for two weeks while their applications are being processed. To qualify, they must have less than $50 in cash and less than $500 in assets.

After two weeks in the $240 hotel room, the most they receive in relief is $228 a month. They can try to come up with some other money and keep the room, or they can move. But if they move to the streets, they are no longer eligible for benefits, because the law requires that welfare recipients have addresses where they can receive their checks.

Even if they try to stay in a hotel, Legal Aid attorney Gary Blasi said, some hotels make a practice of evicting tenants before they are there 30 consecutive days, which would make them eligible for rent control.

Food stamps supplement the general relief grant up to $79 a month for a single person. But many find food stamps nearly worthless because they cannot be used in restaurants, except on rare occasions, and there are no kitchens in the hotel rooms or on the street.

"It's crazy," said Ella Parnessa, who said she moves between the Norbo Hotel and the streets. "I just don't understand this system, if that's what they call it."

The most pressing and immediate need, according to recent studies and several Skid Row workers, is to provide beds and a place where the homeless can regroup.

"It's hard to get a job if you haven't showered in two weeks," said Blasi, who won three lawsuits last year that forced Los Angeles County to clean up Skid Row hotels and find more beds for the homeless. "And if you have to leave the psychiatrist's office and go back to the gutter, it's probably not going to help."

More than 90% of all shelter beds in the nation are privately run, and the charities say they need government help to meet the growing need.

In the several years that government has been trying to deal with the homeless, attempts to increase the number of beds have bogged down in wrangling between the different levels of government.

Congress has spent $170 million on food and emergency shelter in the last two years—about $8.7 million in Los Angeles County. The money, which was spent mostly on food, was gone as soon as it became available, and dozens of requests for help were turned down in Los Angeles alone.

The Reagan Administration opposes more federal funds for shelters because of the push to reduce domestic spending and cut the deficit. Administration officials say the homeless have to be dealt with primarily by the states—most of which have budget surpluses—and by local officials.

"The President is interested . . .



BOB GRIESER / Los Angeles Times

Woman with shopping cart full of belongings stops to warm hands at heating vent in Washington.

and had a good depth of understanding about the problem" when he was briefed last spring, said Dr. Harvey Vieth, an official of the Department of Health and Human Services who is chairman of the Administration's homeless task force. "I've been in and out of

Please see HOMELESS, Page 34

Continued from Page 33

shelters all over the country, and it's a sad thing. It's a crisis."

As the problem grew, Vieth said, "some cities did not address it. They said, 'Look, these people are from somewhere else. . . .' There are no more federal dollars. It is definitely a local problem and has to start being resolved at the local level."

The Administration is willing to make surplus buildings available and take other steps that are not too costly, Vieth said.

But the most publicized attempt to provide surplus government property has been a flop so far.

Military Barracks

Two winters ago the Reagan Administration made front-page news with a plan to make up to 600 surplus military barracks available as emergency housing for the homeless. Despite the hoopla, only four such shelters have been opened—none in California—and most of the $8 million appropriated for the project was used instead on Army Reserve maintenance needs. Local officials said they were unable to even make contact with Pentagon officials.

"I spent hours calling one entity after another," said Los Angeles Deputy Mayor Grace Davis. "I couldn't find anybody who knows anything about anything."

After a rash of complaints, Defense Secretary Caspar W. Weinberger reorganized the project late last year and sent a directive to local commanders reminding them that the need for shelter is serious. Two more shelters are planned—one at Camp Parks in Alameda County—and a Pentagon delegation visited Los Angeles last month.

In California, the only state money appropriated for shelters last year was $5 million pushed through the Legislature by Assemblywoman Maxine Waters (D-Los Angeles).

After it is divided up throughout the state, the bill will provide $1.5 million in Los Angeles, spread thinly over dozens of existing shelter operations to help them stay open and add a few beds.

The Deukmejian Administration vetoed most other housing bills, and Waters said the Administration initially opposed her bill. It was signed only after an agreement was reached to provide money in the Assembly's budget bill for a state Department of Finance computer, according to her staff and the bill's lobbyists.

"Unless they come up and ask for more computers this year, we're in trouble," said Marc Brown, a staff attorney for California Rural Legal Assistance.

Deukmejian has been praised by advocates for the homeless for increasing state funds for mental health care last year, and he has requested another boost this year. The money is expected to help expand counseling services for the homeless mentally ill.

Homelessness seems to be an increasing problem that the state should help with, said Susan DeSantis, state director of the Department of Housing and Community Development. But the Deukmejian Administration does not plan to consider further aid for the homeless before a report that the governor requested is delivered later this spring, she said.

In Los Angeles, the city has helped finance shelter projects providing a few hundred beds, mostly on Skid Row. The city's Community Redevelopment Agency has supported the Weingart Center, a large privately run hotel that also provides social services, and set up a nonprofit corporation that runs Transition House, a model shelter hailed nationally for helping homeless men and women reenter the mainstream.

The county pays $5.4 million a year to house about 2,500 people a night in low-rent, often barren and roach-infested hotel rooms on Skid Row and in outlying areas from Lancaster to Long Beach. Applications for rooms have doubled in the last year to 3,800 a month, said Eddy Tanaka, director of the county Department of Social Services, and all who qualify have been housed since the supply of rooms was increased in September.

Because of the lawsuits criticizing the county for keeping these homeless in substandard hotels, officials are investigating the feasibility of contracting to move them into cleaner, safer dormitories.

The county also helps finance a family shelter with 50 beds in the Long Beach area and has plans to help open small family shelters in Willowbrook and the San Fernando Valley.

Attempts to expand the supply of beds repeatedly run up against political feuding between Mayor Tom Bradley, a liberal Democrat, and the Republican conservatives who control the Board of Supervisors.

Bradley Wants Help

Bradley said the city has the money to build or renovate more shelters. But the city cannot afford to run the shelters and wants the county to help. By law it is the county's job to provide such social services, Bradley said.

County officials do not want the added cost of providing housing to the majority of homeless who do not get general relief either because they do not apply or are not qualified.

General relief already costs about $88 million a year, and any increase would have to come out of already tight local revenues because the Legislature does not help defray welfare costs, county officials said.

"If these people will walk into a DPSS (welfare) office and request a room, they will get one," said Supervisor Deane Dana.

The conservatives have also opposed overtures to coordinate the county's activities with City Hall, despite being urged by the chairman of the board's homeless task force to include the city in all plans. "There is a tremendous fragmentation of effort," said Al Greenstein, an official of Atlantic Richfield Corp., task force chairman.

The board majority also refused the city's request for help to operate the city-run shelter built last month on Skid Row by volunteer labor unions. Democrats Ed Edelman, the board's chairman, and Kenneth Hahn put up $22,000 each from their district funds to support the shelter.

Edelman and other liberals say the conservative board majority is acting out of malice toward Bradley, who is running for reelection and needs a strong showing to prepare for a possible challenge to Republican Gov. Deukmejian next year.

Edelman, who began holding hearings on the homeless last summer, has toured Skid Row hotels and spent time visiting shelters on

Los Angeles Times

Skid Row. He contends that the board majority is ignoring a serious problem.

Dana and the other Republicans argue that county revenues are limited and that the problem is not as bad as some people think.

Their policies have come in for heavy criticism in the last year.

Grand Jury Reproach

In a letter to the Board of Supervisors last month, the Los Angeles County Grand Jury accused county officials of resorting to the "Calcutta Method—which is to ignore the problem until the court takes action, then make as slow and feeble a response as possible and, when the lawyers go away, drop the ball."

County officials contend that the grand jury's research failed to take into account various programs that help the homeless and the county's limited ability to raise revenue.

Nonetheless, county welfare policies—especially a rule suspending benefits for 60 days for missing work and less serious violations—have been blamed by critics for adding to the woes of the homeless.

"Mentally disturbed and emotionally distraught applicants are unable to fill out the complex and repetitive forms," the grand jury letter said. "It appears that in Los Angeles County the objective is [illegible] terminate from public assistance [illegible] many people as possible [illegible] as possible, thus keeping down costs."

Welfare officials say the 60-day penalty—which was 30 days until 1982—is needed to ensure that employable welfare recipients look for work and comply with the rules and to deter suspected migration by the poor into Los Angeles. Reducing the penalty to 30 days would cost $12 million to $16 million in added benefits paid out, welfare chief Tanaka said.

"In a public assistance program, you have to have eligibility requirements or you just give everybody a guaranteed income," Tanaka said.

About a third of the 33,000 recipients are considered employable and are required to work about eight days a month on maintenance and menial jobs to pay back their benefits. They are also required to look for work and to take in the names of 20 employers they contacted each month.

There is a review process for anyone whose benefits are suspended, but almost nobody who is cut off general relief appears for the review hearing, Tanaka said.

Next: What's being done.

Why They Have No Homes

There is no effective way to conduct a census of the homeless. By definition they are difficult to count, and many resist—with good reason—all official and unofficial attempts to study them. The available information, usually based on small and unrepresentative surveys, is further distorted to serve political ends. At best, the data are confused and contradictory; at worst, they reflect deliberate attempts at obfuscation.

Late in 1983, for example, the U.S. Department of Health and Human Services asserted that as many as two million Americans were homeless. Less than half a year later, the Department of Housing and Urban Development (HUD) issued a study that put the number at only 250,000 to 350,000—a finding widely criticized as based more on political preference than on sound methodology.

The plight of the homeless *is* a political issue, and one that is attracting more and more attention. Conservatives tend to insist that homelessness is primarily a problem of the mentally ill, and that the solution is a simple one: institutionalization. Charles Krauthammer, a senior editor of *The New Republic*, wrote recently in *The Washington Post*, "There is a better alternative [to shelters], however, though no one dares speak its name. Asylum."

Krauthammer acknowledged the need to create better institutions than the snake pits that outraged the public in the 1950s and that led to passage of the Community Mental Health Act of 1963. But he insisted that the homeless are essentially a deranged segment of the population, and that we must have the "political will" to isolate them from society "whether they like it or not."

Such arguments ignore mounting evidence that there are "normal" individuals—and families—among the homeless. To be sure, alcoholics and the psychiatrically or physically disabled are no small part of the homeless population. But even the Reagan Administration's discredited HUD study acknowledged that more than 20 per cent of the occupants of shelters are in family groups, and that mentally ill individuals account for only 22 per cent of those in shelters. Local studies show that the median age of the homeless in shelters ranges from the late twenties to the mid-thirties. On the exceptionally cold night of January 9, 1985, when New York City housed almost 20,000 people in shelters and hotels, 63 per cent were in family groupings.

These data point to a grim reality often overlooked when homelessness is equated with mental illness: The tragedy of the homeless is, in fact, linked to structural aspects of our economic system and to specific public policies pursued by government.

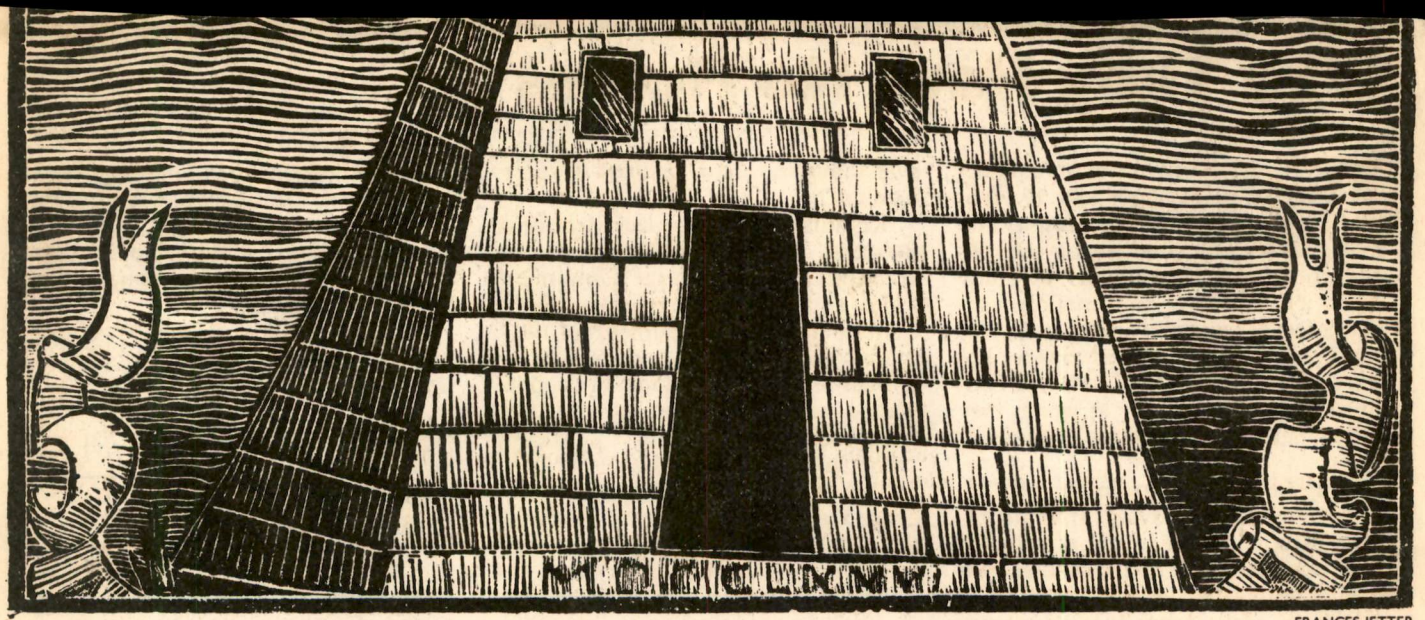
Here are some of the factors contributing to the growing problem of homelessness in the United States:

¶ As a result of 1981 changes in the regulations governing Aid to Families with Dependent Children, half of the working families receiving such assistance lost their eligibility and another 40 per cent had their benefits reduced.

¶ Millions of unemployed workers are receiving reduced assistance. According to the Center on Budget and Policy Priorities, only 33 per cent of the 9.5 million officially counted as jobless in 1983 were collecting unemployment benefits of any kind—the lowest percentage on record since the introduction of unemployment compensation.

¶ Cutbacks imposed in 1981 on food stamp and child nutrition programs—expected to total $12 billion by this year—force many families to "choose" homelessness in preference to hunger.

¶ Most welfare grants include totally inadequate allotments for housing. In New York state, welfare rent ceilings remained unchanged from 1975 to 1984,



FRANCES JETTER

times two minutes, sometimes ten minutes—whatever it takes."

Louis, sandy-haired, portly, looks like an aging preppy in his argyle sweater vest and gray trousers. He was trained as an accountant and is about to begin an accounting job. Right now he sleeps at an overnight shelter in Chicago's Uptown, an ethnically diverse neighborhood that has served as a dumping ground for deinstitutionalized mental patients. His Christian fundamentalist family relied on welfare when he was growing up. He mentions being institutionalized as a child; his father was an alcoholic, he says. Louis is divorced and has a six-year-old son, whom he watches anxiously for behavioral quirks.

Louis has to struggle to stay on the wagon. "There is no reason for me not to drink," he says. He draws a distinction between sober people—those who are comfortable with themselves when not drinking—and dry people, who are unhappy about not drinking. "I'm dry, very dry," he says.

The Center for Street People, a drop-in shelter for homeless people in the neighborhood, helped Louis. The Center was opened in 1974 for recovering alcoholics. When Louis came to the Center in 1980, he was hired to be a member of its staff, but he couldn't handle it, so he quit.

"I went home and turned on the gas and tried to kill myself," he says, "after a two-week drunk." He was hospitalized for depression, then enrolled in an alcoholism program, got a part-time job at a major Chicago bank, went to school, and cut his ties to the Center. Then he lost the job, finished school, got drunk again, ended up back on the streets, and finally back at the Center. He is again on the staff, as a volunteer "participant," and again seeing a therapist.

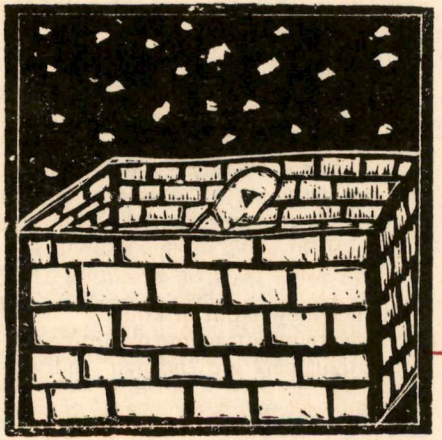
"A guy last night asked me what it feels

despite enormous housing inflation during that period. In other states, the rent allotment in welfare allowances ranges from 20 per cent to 60 per cent of HUD's locally established "fair market rents."

¶ The Reagan Administration has ended most programs of low-rent housing construction or rehabilitation. Furthermore, HUD is systematically diminishing the existing and irreplaceable stock of 1.3 million public housing units by subjecting it to demolition, abandonment, sale, and conversion—a process helped along by the lack of adequate operating, maintenance, and modernization funds.

¶ Rents paid by families in subsidized housing have been raised from 25 per cent to 30 per cent of income—an increase that will transfer $6 billion from the pockets of the poor to the Government in the years from 1981 to 1986. For many families on the margin, that seemingly small increase can result in voluntary departure or forced eviction for nonpayment of rent.

¶ Every year, some 2.5 million Americans are displaced from their homes. In New York City, half of the almost 500,000 eviction actions in 1983 were directed against public assistance recipients, whose next home may well have been a city shelter.



¶ According to the Urban Institute, the poorest fifth of the nation saw its taxes increase an average of 24 per cent from 1980 to 1984. The heavier tax burden means less disposable income for rent and other necessities.

¶ At bottom, the problem of homelessness is caused by the loss of tens of thousands of low-rent housing units each year. Urban renewal has destroyed central-city SRO-hotels, apartments, and rooming houses. Condominium conversions and gentrification—encouraged by tax policies that aid real estate developers and those who own rather than rent—push out the poor.

Homelessness is, in sum, simply an extreme manifestation of poverty, and homelessness is on the rise because poverty is, too. Economic pressures on the poor and near-poor are intensifying while housing costs continue to climb. The result is an ever-widening gap between the shelter people can afford and the shelter they need.

The homeless are just one step ahead of the pre-homeless: the 2.7 million renter households with incomes of less than $3,000 a year, who must devote a *median* of 72 per cent of income to their housing costs; the 6 per cent of all homeowners (almost 10 per cent in states with high unemployment) who are more than thirty days behind in their mortgage payments; the hundreds of thousands, perhaps millions, of "doubled up" households—17,000 in New York City's public housing projects alone.

Unless the workings of the private market and of government are drastically revised, these will be the homeless of tomorrow.

—CHESTER HARTMAN

(Chester Hartman is a fellow of the Institute for Policy Studies in Washington, D.C. His latest book, "The Transformation of San Francisco," was published last fall by Rowman & Allanheld.)

then terrifies you for being on it." Landlords are reluctant to rent to her, "just because the words 'public aid' are there."

Bridgette has held several of the low-paying jobs to which women are consigned: child-care worker, cashier, waitress, nurse's aide. The experience has taught her that it doesn't pay to work because she can't afford quality child care. "By the time I get through paying the babysitters, I can sit home and get more money from public aid." Once, when she came home from work, her younger daughter had a mysterious black eye, she says.

Though Bridgette is black and lives in the city and Judy Brown (not her real name) is white and lives in the suburbs, their situations are strikingly comparable. Both are single heads of household, too poor to make ends meet.

Judy, with neat short brown hair, kelly green sweater over a black turtleneck, and gold earrings, looks like a young suburban mother. Her story is less typical of the suburbs. Her family has been evicted three times in the past five years, after she divorced an alcoholic who only recently began paying child support. At forty, Judy has three teen-aged children and a five-week-old granddaughter. The lines of her face are tight, her hands are thin. The strain is starting to show.

Judy can't afford suburban apartments, but has chosen to stay in the area where her children have grown up and still attend school. "I just did a lot of things that were best for my children," she says.

Judy and her family are staying in an

come housing projects. Now Frances, thirty-one, is homeless, staying at St. Martin de Porres shelter for women on the city's poor south side. She left her abusive alcoholic husband. She has scars on her chest and upper arms where she says he once threw hot grease on her.

"I had been working," Frances says, "but because of all this abuse, I haven't been able to hold a job." Her husband used to call her regularly, and disruptively, at a nursing home where she was the nurse in charge. The abuse has also sent her four times to a state-run mental health institution in Chicago's southern suburbs.

Frances has been on a waiting list for another apartment at the project, since her previous home was broken into four times; she hopes to take her three children to a new place. She is considering getting police protection against her husband, and a divorce.

Sister Connie Driscoll, who opened St. Martin de Porres in 1983 in a neighborhood filled with vacant lots, boarded-up houses, and corner stores hidden behind burglar gates, reports that a rash of wife-abuse over the holidays filled the shelter with battered homeless women. Generally her clients arrive at the shelter after they have been evicted. "They have a choice to make," she says. "Pay the rent or eat."

Smoking slender brown cigarettes, Sister Connie, with her eyepatch and low, husky voice, looks as if she should be running a roulette table rather than a shelter. She sounds tough and angry when describing the problems of her poor, mostly black, female clients.

poor in that city.

Two major foundations have also added private money. The Robert Wood Johnson Foundation and the Pew Memorial Trust recently announced a four-year, $25 million program for homeless people in eighteen cities. Under the program, teams of doctors, nurses, and social workers based in clinics at soup kitchens and shelters will provide the homeless with desperately needed health and social services. (Some officials estimate that those who lack permanent shelter for any significant length of time may suffer a decrease in life expectancy of twenty to thirty years. Thousands of homeless people eligible for Federal benefits but not currently receiving them may need special help in applying, according to the recent findings of Representative Ted Weiss, New York Democrat.)

Efforts for the homeless are also being pressed in the courts. The National Coalition for the Homeless has filed suit to require New York City to shelter homeless families; in 1981, that city agreed, as a result of a similar suit, to shelter homeless individuals. The Coalition has also sued over the failure to limit the number of people in a shelter to the maximum of 200 imposed by state law. Los Angeles litigation is attempting to assert the right of homeless individuals to be sent to heated shelters.

But people who live on the streets may be the best source of creative solutions to their problems.

"If I have a job—and I'm looking for a full-time job—I won't be homeless any

Study indicates 2 of 3 jobless get no benefits

1-14-86 C-1

By MATT YANCEY
The Associated Press

WASHINGTON — Only one of every three jobless workers in 1985 received monthly unemployment benefits — the lowest level in history, a private research group said yesterday.

The Center on Budget and Policy Priorities said an average 5,602,000 million people, or 67.4 percent of the 8.3 million jobless, were having to get by without any unemployment compensation in any given month last year.

By contrast, three out of every four jobless workers were getting unemployment benefits a decade ago, as the 1974-75 recession was ending, the study said.

"The program just doesn't do what a lot of people think it is supposed to do," said John Bickerman, the center's research director. "Most people expect this program to be there when they need it. Statistics show that four of every 10 adult male workers can expect to be unemployed at some time over a 10-year period."

The number of people both unemployed and not getting jobless benefits last year is slightly below the 5,636,000 monthly average in 1984. And it is more than a quarter of a million people below the 5,873,000 average during the 1982 recession, when more than 10 million people were unemployed several months.

But it is still more than 2 million people greater than the number of jobless not getting the benefits for any year in the 1970s, the center said.

Bickerman said more than 340,000 people in 1985 lost unemployment benefits averaging $127 a week as a result of a decision by Congress and the Reagan administration to end the Federal Supplemental Compensation Program last March.

That program, financed entirely by the federal government, was established right before the 1982 election to extend unemployment compensation eligibility for eight to 14 weeks beyond the normal 26-week maximum of most states. The first 26 weeks of coverage are financed by states, usually through taxes on employers.

With unemployment declining last year and the federal deficit assuming a greater congressional priority, there was insufficient sentiment on Capitol Hill to continuing the supplemental program, which cost the federal government $5.6 billion in 1983 and nearly $3 billion in 1984.

At the depth of the recession in 1983, the federal government was picking up $6.8 billion of the costs in providing jobless workers with unemployment benefits. That declined to $3.01 billion in 1984 and to $1.05 billion last year.

The Center on Budget and Policy Priorities is a non-profit organization that gets its money from foundation grants.

7

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Despair found in Europe's growing line of unemployed

By ROBERT BURNS

BRUSSELS (AP) — For Veronique Degraef, the worst thing about being on Western Europe's growing list of unemployed is not the loss of income.

She gets by.

Neither is it the humiliation of lining up each day at the government jobs office to keep her eligibility for full benefits.

She bears it.

What hurts most is the thought that the future may be no brighter.

"I am very pessimistic," she says. "I think it is realistic to be pessimistic."

The 25-year-old Degraef has not given up her dream of using her university degree in sociology to land a job teaching school or directing research. For now, she fills her days by as a volunteer worker at a bookstore and at a women's research organization.

But in the voices and faces of the other jobless Belgians standing in line with her each day she senses despair, a feeling of failure.

"The most terrible thing is what happens to the unemployed," she says. "The terrible thing is that in six months they no longer fit in the labor market, because to fit you must have the hope for the possibility of doing."

The possibilities, it seems, are shrinking in much of Western Europe.

Nearly 13 million people in the 10 countries of the European Economic Community, or Common Market, are officially counted as unemployed. Many more are not on the list because they gave up looking for work.

The official count equals 11 percent of the Common Market's labor force. It has risen each year since 1979, when the jobless rate was 5.5 percent.

And the worst is yet to come, the experts say.

Common Market forecasters say the jobless rate will climb to 11.5 percent next year, even while the region's economy continues its halting recovery from recession.

Much of the rest of the industrialized world, by contrast, has enjoyed a drop in unemployment this year and expects more improvement in 1985.

In the United States, unemployment in October was 7.4 percent, down from 8.8 percent a year earlier and far below the peak of 10.8 percent in December 1982. The Common Market expects the U. S. rate to fall to 7.1 percent next year.

In Japan, unemployment has held steady this year at about 2.8 percent and is expected to change little in 1985.

The difference is that economic growth in the United States and Japan has created jobs. In Europe it hasn't. Here are some reasons why:

√ Company managers have developed what Common Market economist Michael Emerson calls a disincentive to hire. Government rules are sometimes part of the problem. In France, for example, a company — even a failing enterprise — must get government approval to drop workers for economic reasons.

The result is that managers have become reluctant to add workers when business improves for fear they could not drop them when it slowed down.

√ European consumers aren't spending as freely as Americans. That is partly because prices are rising faster in Europe. It also is linked to European governments' efforts to keep a tighter rein on their budget deficits. The United States, on the other hand, has run up the biggest budget deficit in its history and kept its interest rates high enough to attract piles of foreign investors' money.

√ Labor costs have grown much faster in Europe than in the United States and Japan. Unions often are blamed, but some are showing a new flexibility. In Belgium, the government and unions are experimenting with new patterns in work shifts and have agreed to cut working time by 5 percent in return for a 3 percent wage reduction.

√ Europeans generally are less willing to move to where the work might be. They feel limited by linguistic, cultural and bureaucratic barriers that their American counterparts never would face. Europeans also are more reluctant to take low-paying jobs — in part because being out of work pays better than in the United States.

It's neither inadequate pay offers nor a reluctance to move that has kept Degraef out of work since last April. She spent six months in Italy looking for a job before her first Belgian benefits came in.

"I had the hope to work there, particularly as a teacher," she says. The job market in Italy is even worse, she says.

But nowhere in Western Europe is long-term unemployment worse than in Belgium. Fifty percent of the country's total unemployed have been out of work for a year or longer, according to Common Market estimates.

The comparable figure for the 10 Common Market countries as a whole is 39 percent. For the United State it is 10 percent.

It is this long-term failure to find work that seems to worry Europeans most.

"People are enormously frustrated," says Ivor Richard, a Common Market commissioner in charge of employment and social affairs.

He says the cohesion of European society may eventually be at stake.

"At the moment, the lid is on. But I wouldn't be prepared to say it will be kept on the pressure cooker indefinitely," he said in an interview.

The pressure is greatest for the youth of Europe, millions of whom may be losing confidence in the ability of their governments to reverse the trends in economic stagnation and unemployment.

In a report on youth unemployment in France — where nearly one-half of the 2.4 million people on the unemployment rolls are under the age of 25 — the Organization for Economic Cooperation and Development urged the government recently to overhaul its education system.

It said French education methods must be linked more closely with working life to give young people a better chance at finding a job.

France, the report said, "just cannot live with such high levels of youth unemployment."

PLAN A GREAT WEEKEND. READ THE WEEKENDER SECTION/ FRIDAY IN

The Press-Enterprise

Riverside County's Newspaper

11-24-85 F-1

Big cotton grower offers program to cut jobs

By JEANIE BORBA
McClatchy News Service

CORCORAN — The J.G. Boswell Co., one of the nation's largest farming operators, is asking hundreds of its employees to quit in an unprecedented cost-cutting move prompted by depressed cotton prices and unsuccessful federal farm programs.

The Boswell company is offering, to as many as two-thirds of its 900 California employees, voluntary early retirement or a severance-pay benefits package, company spokesmen said. Company officials stressed that the one-time-only benefits package is voluntary. They declined to say how much they hope to reduce the payroll by.

But the combined retirement and severance program could cost Boswell as much as $6 million. The program would provide substantial benefits to long-time employees and lucrative separation pay to those with less seniority.

On Monday, the company hand-delivered letters to about 600 salaried employees from its offices in Los Angeles, Kern County, and Corcoran and Lemoore in Kings County. The letters explained details of the benefits package. It gave a deadline of Dec. 31 for taking advantage of early retirement or lump-sum separation pay.

The letters are said to have been a surprise to most people receiving them, coming as the cotton harvest winds down and final layoffs begin for many seasonal farm workers.

James G. Boswell II, chairman of the company's board of directors; John Sterling, secretary and general counsel; and two other company representatives visited visiting the offices last week for meetings explaining the consolidation efforts to employees.

"This is a gut-wrenching experience for everybody, but especially for him. He personally is attending every meeting, and he personally is trying to field all the tough questions," company employee Bill Case said of Boswell.

"The key words are public and voluntary," said Case, a Corcoran ranch employee. "Mr. Boswell is stressing that this is public and voluntary. And he's not giving any signals to help people decide what they should do."

About 20 employees in the Los Angeles office already have opted to take advantage of the benefits package, sources said. So have about 10 workers at the Corcoran ranch.

After the Dec. 31 deadline, when company officials know how many employees are leaving "and the dust settles, then we'll figure out how to run this company," Case said. He said that "no layoffs are planned."

The company may give up leases on some land it farms, he said, and plans to lease 360 acres to some vegetable farmers. But "no way" does Boswell plan to sell any land it owns, Case said.

Other possible changes are in the crops Boswell grows. About 60 percent of the company's land is devoted to cotton. The rest is used for growing wheat, seed alfalfa, and safflower.

Modifications may be needed to reduce pest-control applications and costs, or to reduce cotton acreage in favor of crops requiring less supervision, said Ed Giermann, an attorney in Boswell's Los Angeles headquarters.

The Boswell company farms about 150,000 acres in the valley, as well as cotton acreage in Australia, vineyards in Arizona, and 75,000 acres of rangeland in Oregon.

The company is a power in California and national farm-water politics. It has spent millions of dollars lobbying for its interests in federal reclamation law and California's Peripheral Canal battles.

Historically, Boswell has been a very profitable corporation, but company officials refuse to disclose specific profit-and-loss information.

Boswell produces more cotton than any other company in the world, receiving premium prices for top-quality cotton.

But the company can no longer afford to grow cotton the way it has, officials said, because the farm economy will stay depressed another three to five years and cotton prices could slide to 40 cents or less a pound.

Cotton prices are running about 58 cents a pound, already lagging far behind the cost of producing it.

Boswell spokesmen Giermann and Case attributed the farm financial crisis in part to the federal government's continued use of farm-subsidy programs.

The programs depend on taxpayers' money to bail out farmers, encouraging them to continue producing crops that already are in surplus storage, Case said.

Giermann said Congress' apparent intention to pass another five-year program of subsidized production will make the problems worse.

Land in stocks

4-28-84 IV-1

Harvester, Case to Eliminate Dealerships

Nearly 400 Outlets May Be Affected by Merger of Two Firms

NEW YORK (AP)—The combination of the farm-equipment businesses of Tenneco Inc. and International Harvester Co. will result in the elimination of nearly 400 dealerships that now sell the tractors and other farm implements produced by the two companies, Tenneco's chairman, James L. Ketelsen, said Tuesday.

Ketelsen discussed the cutbacks at a news conference following Monday's announcement of Tenneco's $430-million purchase of International Harvester's agricultural-equipment business, which will be merged into Tenneco's J I Case Co.

The merger also will be accompanied by the closing of an International Harvester tractor plant in Rock Island, Ill., which will reduce production capacity in an industry that has been plagued with too many unsold tractors on dealers' lots during a time of economic hardship for farmers.

In a related inventory reduction move, announced prior to the merger, Case is shutting its North American plants during January and February to help reduce inventories.

After the shakeout, Ketelsen said, the trimmed-down combined operation will not need an upturn in the business to be profitable.

"It will be profitable at today's level of sales in the industry, today's type of farm economy, the type of discounts that are taking place in the sale of farm equipment today and, frankly, the level of farm income. . . . It puts two operations together that can be profitable on a combined basis . . . whereas each of them operating separately and individually today are unprofitable."

As a result of the merger, Case and International Harvester dealers who had been competitors will be selling farm machinery for the same company. And about 15% of the about 2,600 North American dealerships of International Harvester and Case either are located in the same town or the same marketing area, Ketelsen said.

"We're going to strongly encourage dealers to merge where we have two good dealers in a community," he said. "It makes good sense for us to merge and reduce excess capacity and it makes a hell of a lot of sense for them to look at a combination (to) save both of their customer bases, their whole parts operation and combine some of their overhead to be more efficient in a larger marketplace."

He said that Tenneco could offer additional undeveloped sites to encourage mergers where the dealers

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HARVESTER: Cut Dealerships

Continued from Page 1

want multiple locations. "In some cases, we will encourage a strong IH or Case dealer to buy out a weaker competitor," he said.

Harvester has about 1,700 dealers in North America and Case has 930, with about 160 of the Case outlets owned by the company.

Ketelsen also predicted that the combined business would begin to show a profit by the end of next year, although he predicted a loss for all of 1985 for Case.

He projected that the combined Case and Harvester would have about 35% of the market for tractors a year from now, compared to current estimates of an 18% share for International Harvester and about 14% for Case.

Tenneco Buys Harvester Farm Unit

Will Merge Agriculture-Equipment Maker Into J I Case

F: Agric. 11-27-84 p. IV-1

By LARRY GREEN, *Times Staff Writer*

CHICAGO—Financially ailing International Harvester Co., a firm whose corporate name is synonymous with agriculture, said Monday that it is selling its money-losing farm-equipment business to Tenneco Inc. for $430 million in cash and stock.

Tenneco will merge the business with its J I Case Co. tractor affiliate, giving the $14.5-billion Houston-based oil, gas, petrochemical and manufacturing conglomerate a full line of agricultural equipment that will rank second in sales to Moline, Ill.-based Deere & Co., which has about 40% of the farm-equipment business.

The sale signals a major restructuring of the depressed farm-equipment industry—a victim of the prolonged downturn in the farm economy, debt-ridden farmers and the trend toward larger farms and fewer farmers.

The U.S. Agriculture Department estimates farm-equipment sales this year at $7.4 billion, compared to almost $12 billion in 1979—the industry's last good year. Tractor sales alone have dropped from about 200,000 annually five years ago to 85,000 last year.

One of America's oldest manufacturing giants, International Harvester is a corporate descendant of the company founded by Cyrus Hall McCormick in 1847.

McCormick's reaping machine mechanized American agriculture, revolutionized the heartland's economy and helped to shape the nation's industrial destiny.

But in recent years Harvester has been losing in excess of $300 million a year on its farm-equipment businesses, which account for about 30% of the company's total business so far this year. They represented 37% of sales last year, down from 47% in 1981.

"You have a degree of emotion when you pass from International Harvester the business on which the company was founded," Donald D. Lennox, International Harvester's chairman and chief executive, said. "But you can only pay so much for tradition and history, and you have to let your emotions stand aside and let your good business judgment take over." Without the sale, Lennox said Monday, the company faced "collapse."

International Harvester has been fighting for its corporate survival for the last five years after losing a total of $1 billion in 1980 and 1981, and $1.2 billion in 1982 in the wake of a six-month strike by the United Auto Workers, the beginning of the recession and soaring interest rates.

Financial-restructuring agreements with its lenders have left the company with a $4.1-billion debt package. To reduce its losses, International Harvester has been selling off assets, closing plants, cutting back its labor force and reducing its inventories.

Please see HARVESTER, Page 2



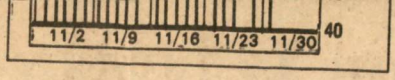
United Press International

Harvester Chairman Donald D. Lennox, left, looks on as Tenneco Chairman James L. Ketelsen discusses purchase of farm unit.

⅛ point in light activity.

Yields on 30-year Treasury bonds inched up to 11.33% from 11.32% late Friday.

The federal funds rate, the interest on overnight loans between banks, traded at 9.625%, compared to 9.125% late Friday.



Gold Drops to Lowest Level Since Mid-1982

NEW YORK (AP)—Gold tumbled Monday to its lowest level since midsummer of 1982 amid speculation about prospects for continued low inflation. The dollar surged on foreign exchange markets, despite falling interest rates.

The decline in gold prices accelerated as the day progressed. Republic National Bank in New York quoted the late bid for gold at $331.75 an ounce, down from $340 an ounce Friday.

"People are concerned we are going to see another round of oil-price cuts," said David Nelson, director of metals-futures research at Dean Witter Reynolds Inc.

Gold a Hedge

Falling oil prices, he said, tend to depress the prices of precious metals for two principal reasons.

One is that a decline in oil prices would reduce inflationary pressures in the short run. Nelson noted that many investors buy gold as a hedge against inflation.

The other reason, Nelson added, is that an oil-price decline could mean lower revenue for Middle East oil producers that have been heavy buyers of gold and hence would reduce demand for the product.

Gold opened lower in Asia, falling to $340.82 an ounce from Saturday's close of $341.25.

Later, in Europe, gold closed at $337 an ounce in Lon

PRENTICE

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likely that a better offer could quickly be found, sources said. Its management had declined for months this year to discuss a friendly takeover proposal from Gulf & Western.

J. Kenneth Noble Jr., analyst with the Paine Webber brokerage in New York, said Prentice-Hall's effort to elude a takeover may have been doomed by the Dec. 9 deadline that Gulf & Western placed on its offer.

He said other media companies would likely need much longer to decide whether to make a counteroffer; meanwhile, specialists in takeover stocks were likely to sell their shares to Gulf & Western by that date, thereby giving the company control.

Gulf & Western said Prentice-Hall will be merged into a unit of the conglomerate but that the company will retain its name and its present management.

Prentice-Hall has also given Gulf & Western an option to buy 5 million newly issued shares of Prentice Hall common stock at $71 per share.

The option to purchase the block of stock, which amounts to about one-third of Prentice-Hall shares, is intended as a guarantee that Gulf & Western will be able to retain control of the company in the event of a late counteroffer.

Officials of the companies said in their statement that they believed the companies were well suited to a merger because of Prentice-Hall's strength in college and professional publishing and Simon & Schuster's strength in popular hardback and paperbacks and the elementary and high school markets.

plant, he added.

The pending investment in the Torrance plant will be NKK's first entry into a non-steel materials industry. Kanao described the move as "a step in NKK's becoming

HARVESTER

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The company last showed a profit in the fourth quarter of 1980.

Monday's sale will give the company $260 million in cash and $170 million in preferred Tenneco stock. In addition, Tenneco will assume responsibility for about $75 million in unfunded pension liability for the roughly 3,000 manufacturing, administrative and support personnel who will become Case employees.

Tenneco will acquire all of International Harvester's North American operations and the company's subsidiary in the United Kingdom. Also, it has agreed to purchase Harvester's operations in Germany, France and Denmark.

James L. Ketelsen, Tenneco's chairman and chief executive, said Monday that the Case-Harvester alliance will result in a new company designed to operate profitably in current agricultural economic conditions. Ketelsen said a name has been picked for the new company, although Tenneco wants to retain both corporate names if possible. The company will be headquartered in Racine, Wis., where Case now has its administrative offices.

"We believe today that there are some very permanent changes taking place in the industry," he said, citing the loss of 70,000 U.S. farmers annually and the sharp increase in farm debt in the last five years.

"The new company's profitability is not conditioned upon a recovery in sales," Ketelsen said. "Case-Harvester is being structured to operate profitably in the

R; Tenneco

industry as it exists today" by removing excess manufacturing capacity, combining the two companies' sales and marketing forces and by merging the two design and research operations.

As a result of the sale, Harvester's Rock Island, Ill., plant will be closed late next year, idling about 600 workers. Another 600 now laid off from the plant will not return to work. Apparently, no other plant closings are planned, though some plants in the combined companies will shut down for one or two months next year to help reduce inventories.

"Despite the hard hits that the agricultural business has endured over the past several years and all the doom and gloom predictions about its future, we're very excited about this new alliance of ours," Ketelsen told a Chicago press conference.

The newly formed company will also reassure farmers that it will be financially able to stand behind the equipment it sells, Ketelsen said. Concern about the future of International Harvester among farmers has been cited by some market analysts for the company's sluggish sales.

The acquisition, which will leave International Harvester a focused company manufacturing midsize diesel engines and medium- and heavy-duty trucks, is expected to be completed in 1985, after the government and Harvester's lenders approve it. Sometime before 1990, International Harvester will have to give up its name and find a new corporate identity.

400 Layoffs Expected 1-28-85

Knudsen Completes Foremost Acquisition

By HEIDI EVANS, *Times Staff Writer*

Knudsen Foods of Los Angeles on Thursday completed its acquisition of Foremost Dairies for $50 million in cash and notes, creating one of the largest dairy companies in the West. The merger will also result in the layoff of an estimated 400 of Foremost's 3,000 employees.

During the next three months, Knudsen plans to phase out Foremost's ice cream facility in Los Angeles, which employs 190 people, as well as its milk production facility in Sacramento, with an estimated work force of 230, company spokesman Anthony Harris said.

About 2,000 Workers

He added that, while the ice cream and milk production will be transferred to Knudsen's plants in Los Angeles, Fresno and Modesto, only a small percentage of Foremost's employees will be offered jobs there. Knudsen has about 2,200 workers.

The merger more than doubles Knudsen's annual revenue, to $1.2 billion, and expands the growth-minded company into seven states, Knudsen Co-Chairman Dee R. Bangerter said. The acquisition also enlarges the company's California operations from six to 10 plants. Knudsen is a wholly owned subsidiary of Anaheim-based Winn Enterprises.

"We are well positioned to expand our markets into states where neither Foremost nor Knudsen has any appreciable distribution at this time," Bangerter said.

In Seven States

Foremost has plants and distributions centers in Texas, Arizona, Nevada, Missouri, Arkansas, Louisiana and Hawaii.

Foremost, a 65-year-old, privately held San Francisco dairy, had annual sales of about $730 million in 1984. Knudsen's estimated revenue for fiscal 1985 is $545.2 million, compared to $438.5 million for the year ended March 31, 1984, according to Harris. The company would not estimate 1985 earnings, but net income for 1984 was $1.3 million.

Company officials said financing for the transaction as well as "a more favorable" refinancing of

Please see KNUDSEN, Page 4

An Indian tribe sold an issue of tax-exempt bonds.

The Jicarilla Apache Tribe of northwestern New Mexico said the $30.2-million issue was placed privately with eight institutional investors at an average yield of 9.53%. The offering was the first under a 1982 law that gives Indian tribes the power to issue tax-exempt revenue bonds for essential government functions, just as any state or municipal government does. The offering is believed to be the first ever tax-free municipal bond offering by a tribal government and had been given an A rating by Standard & Poor's.

Tylan Corp. has completed its previously reported acquisition of privately held **Microsensor Technology.** Terms of the cash transaction were not released . . . **Lotus Development** said it filed a copyright infringement suit in federal court against **Management Information Source,** a Portland, Ore.-based publishing company . . . **Singer Co.** reported that it has reached agreements to sell most of its remaining European sewing machine marketing operations to unidentified parties . . . Assets of the nation's 346 money-market mutual funds fell $3.10 billion in the week ended June 26, the **Investment Company Institute** said.

High Court Rules in Favor of Insurer in Claims Case

WASHINGTON (AP)—The Supreme Court, in a victory for the insurance industry and businesses in general, has protected worker benefit plans from paying for mishandling disability claims.

By a 9-0 vote Thursday, the court shielded from suit an insurance company in Los Angeles accused of improperly cutting off benefits to a woman who worked for the firm.

The ruling limits individuals from winning awards for punitive

Insurance and the Health Insurance Assn. of America warned that permitting such suits could threaten worker benefit plans. The insurance groups said businesses might be unwilling to create new plans or increase their contributions to existing plans if they were faced with "large and unpredictable punitive awards."

The ruling was in the case of Doris Russell, who took a leave of absence in May, 1979, from her job as a claims examiner in the Los

KNUDSEN

Continued from Page 1

debt that Winn incurred during its 1983 acquisition of Knudsen will be provided by a subsidiary of Citicorp, Citicorp Industrial Credit.

The financing will consist of a three-year, $129.5-million revolving line of credit and a five-year, $38.5-million term loan.

The company said David F. Greenawalt was named co-chairman of Knudsen and will remain president and chief operating officer.

Allen A. Meyer, formerly president and chief executive of Foremost, will assume the newly created posts of vice chairman of Knudsen and president of Knudsen's specialty foods group.

Ted Nelson and Bangerter remain co-chairmen of the parent company, Winn Enterprises, which also operates MountainWest Savings & Loan in Salt Lake City.

Bangerter said the company will [illegible] products under

Jan. 84 Texaco acquires Getty for $10.1 B.

Getty had 19,000 empl.

$532 k per Empl.

1.88 empl per $m of assets.

Texaco fired 3,000, leaving

$631k per empl.

1.58 empl per $m of assets

'ad Scene' 9-23-84

The Getty Takeover: Shock Waves

By PATRICK BOYLE,
Times Staff Writer

Robert Menzie remembers going to lunch with a friend from another oil company in the spring of 1983 and gloating about how secure his executive-level job was. Menzie said he had little to fear from the continuing wave of takeovers in the U.S. oil industry because his employer, Getty Oil Co., was safe in the arms of the Sarah C. Getty Trust.

Menzie recalled that conversation with some chagrin a few weeks ago as he sat in his corner office at the nearly deserted Getty headquarters on Wilshire Boulevard, musing about his future now that the company had been acquired by Texaco Inc. of White Plains, N.Y. He had been with Getty for 28 years, starting as a natural gas engineer and rising to vice president in charge of Getty's oil and natural gas supply division. He expected to always work for Getty, but now, at age 55, he'll soon be out of a job.

'An Attractive Company'

"There's no doubt that Getty was an attractive company for a takeover," Menzie admits. "But we felt comfortable because the controlling stock was held by the trust. And we were always sure that the last thing Gordon Getty wanted to do was sell it."

Gordon Getty, the sole trustee, agrees that he never wanted to sell the company his father, J. Paul Getty, had built into the eighth-largest oil producer in the nation. But for whatever reason—and there's no shortage of explanations—Texaco was able to acquire Getty last January in what at the time was the largest corporate merger in history.

The fallout from that $10.1-billion deal will linger for years in Southern California and in the lives of Getty's 19,000 employees. Hundreds of Getty workers at corporate headquarters and throughout the country have already been let go and many more expect to lose their jobs as Texaco eliminates duplication in the combined organizations.

'Death of a Friend'

Local social and cultural organizations that depended on Getty generosity for more than $2 million in financial support expect to lose part of their funding. The millions of dollars a year that the company pumped into the local economy in the form of spending and taxes will not be fully replaced by Texaco.

And even one dentist is worried about the patients he is losing as Getty employees depart from the Wilshire location.

"It's a bad scene all the way around," said Chauncey J. Medberry, former chairman of BankAmerica Corp. and a Getty director for 13 years. "It's like the death of a friend. We're losing an active, aggressive seeker for oil."

The swallowing up of one company by another is nothing new, especially in a boom-and-bust industry like the oil business, where the big have been buying the small for over 70 years. Like many of the nation's large corporations, Getty itself was built partly through the

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GETTY: More Than a Little Bitterness

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acquisition of smaller firms, and some employees are usually laid off in every such merger.

But the acquisition of the company by Texaco has left many Getty employees more than disappointed at losing their jobs. Although Getty was a publicly held company, so much of the stock was owned by the Getty trust—and the memory of J. Paul Getty was so fresh—that many employees felt they worked for a family-owned business. Many workers say they will be eternally bitter at trustee Gordon Getty, already a wealthy man, for agreeing to sell the firm merely to boost the trust's income.

Others blame Getty Chairman Sidney R. Petersen for taking a path in opposition to the wishes of the sometimes eccentric Gordon Getty that eventually led to the sale. Petersen, a career company employee, agreed to the Texaco merger in part to keep Gordon from taking control of Getty Oil.

Plight Compounded

And in the minds of many employees, their plight has been compounded by the manner in which Texaco has handled the merger, taking a by-the-book legal approach that led to eight months of uncertainty about whether most of Getty's workers would have jobs in the new organization.

"They couldn't possibly have handled this thing worse," said one high-level Getty executive, who asked not to be identified. "The Texaco people are winging it, and every department is winging it differently. How you get treated depends on what department you're in."

The fact that Getty Oil could have been taken over at all surprised many in and outside the company. Founder J. Paul Getty had run it as his own personal domain until his death in 1976, when he was reputed to be the world's wealthiest man. The trust bearing his mother's name owned 40.2% of the stock in the company, and the trust agreement stipulated that the shares could be sold only to prevent a sharp decline in trust income. J. Paul willed his own holdings in the company to the art museum he established in Malibu, which still held 11.8% of Getty Oil shares at the time of the merger.

Gordon Getty reflects on his role in the takeover of Getty Oil. Story in Business. Part V.

Thus, 52% of the stock was in "friendly" hands. But it may have been this insulation from market forces and the always-watchful eyes of many small shareholders that paved the way for Texaco to buy Getty Oil. Gordon Getty, a director but not an employee of the company, began questioning management about how the firm was being run, and when he perceived he was being ignored, he started talking of using the only lever he had—merging Getty with another firm.

'Ultimate Discipline'

Clayburn La Force, dean of the UCLA Graduate School of Management and a former Getty director, said the possibility of a takeover is "the ultimate discipline of the market" that keeps company managers on their toes.

"The takeover possibility must exist," La Force said. "The costs involved are costs society has to pay to have that market discipline."

But the costs often include the disappearance of a source of economic stability and jobs for a community, he added.

"A corporation is a human institution, and you just hate to see such a fine institution that has done so much for the rest of us cease to exist," La Force said of Getty Oil. "And it needn't have happened."

Looking back at the Texaco merger, many of the participants seem to agree with La Force that it might have been avoided. But there is sharp disagreement over how, given the wide rift between Getty Oil management and the man who controlled 40% of the company stock.

Gordon had criticized the Getty executives for diversifying away from the oil and gas business into cable television, insurance and other ventures. He wanted to keep the focus on oil, but he also wanted to restructure the corporation in such a way that more of the profits would be paid directly to stockholders through royalty trust or limited partnership-types of arrangements.

Former Chairman Petersen defends the company's diversification moves by pointing to the price Texaco got when it sold two major, non-oil Getty subsidiaries: $1.08 billion for Employers Reinsurance Corp. and $202 million for Getty's share of the Entertainment & Sports Network.

"The successful sale by Texaco showed there was justification to get into those businesses in the first place," Petersen, now out of a job, said during an interview on the patio of his Toluca Lake home.

Petersen also said he did what he thought was necessary to represent the interests of all shareholders, not just the Getty trust, but declined to discuss specifics of his relations with Gordon Getty because of pending litigation that seeks to overturn the merger.

Protection at Top

When relations between Gordon and the full board of directors began to sour in mid-1983, Petersen was one of nine key Getty executives who were given "golden parachute" employment contracts to protect them should Gordon get control of the company. Under terms of the contracts, Petersen and the others will receive their salaries, bonuses and full benefits for three years after the Texaco takeover.

Some Getty executives feel that the protected top executives forgot the rest of the company's employees and didn't write enough safeguards for them into the merger agreement. But others believe that—except for the long delay—Getty workers got a far better deal in the merger with Texaco than most workers in acquired companies receive.

The merger calls for each Getty employee to either be given a comparable job in the combined organizations or be paid severance of one month's salary for each year of service with Getty, up to a maximum of 24 years.

Workers in Limbo

"I think the severance deal was the best management could get," said Dave Button, Getty's chief economist, who doesn't expect to have a job with Texaco. "It's an excellent package."

But many Getty workers are less than pleased with the way Texaco has handled the merger. Although the initial agreement was reached last January, final approval by the Federal Trade Commission did not come until July. During that period, Texaco followed to the letter an FTC dictum that Getty's domestic oil and gas operations be held separate from Texaco's. To Texaco, this meant not even looking at the personnel files of the workers to start making decisions about which ones should be offered jobs.

The result for most Getty workers was eight months of waiting, unable to choose between quitting the company to take another job, thus forgoing severance pay, or sticking around to see if a job would be offered. Getty officials say dozens of employees who had been with the firm only a few years resigned their jobs shortly after the merger was announced and looked for positions at other oil companies. But workers who had spent much of their careers at Getty were more reluctant to leave, either because of the possibility of a larger severance payment or the difficultly of finding a job at middle age.

Gerald J. Caraher, Getty's manager of employee development, compared the general employee attitude to that of someone who has just been told he has cancer.

"Many people kept waiting for a miracle cure," Caraher said. "Even to the end, there was talk that maybe Gordon would buy it all back."

Interviews with more than a dozen Getty employees found numerous complaints about the way Texaco had managed the acquisition, but few of the workers would agree to be quoted by name out of concern that it would affect their chances of future employment with either Texaco or another oil company.

Part of their resentment appears to stem from a clash between the "corporate cultures" of the two companies. Getty appears to be more informal, with executives wearing sport coats or cowboy boots to work at corporate headquarters. White shirts and dark suits are more the rule at Texaco offices. Getty employees say decision-making at their company was "pushed down" to the lowest possible level, making lower-level managers responsible for their own areas, while at Texaco, decision making is more closely controlled at the top.

"Texaco people are very nice and personable, but they're raised in an environment where initiative and decision-making are discouraged," said one frustrated Getty executive. "So they don't make any."

He said he was offered a job at Texaco in which he would have reported to two different bosses and would not have the authority, without higher approval, to make some basic changes in the area under his supervision. He declined the job.

Another Getty employee said she was asked to work on a script that could be used for a videotape report to Getty employees from Texaco Chairman John McKinley on what the merger would mean for both companies. She said she did the script quickly, but getting it approved took so long that the project was scrapped.

The first formal meetings with Getty employees to talk about their future weren't held until July, after the FTC approval. One employee who attended the meeting in his department said the session began with a Texaco official reading a notice from the company's attor-

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ETTY: Shock Waves

nued from Page 28

hat "attendance at this meet-es not constitute an offer of a Texaco."

e Getty employees complain hey have been offered jobs at o that are not comparable to current ones, in violation of erger agreement. Texaco of- say about 15 in-house ap- have been filed by Getty ers, asking that they be given severance pay instead of the ey were offered.

ty workers were stunned by a cKinley and his wife made of offices one Saturday in late o choose the furniture and es they wanted shipped back xaco headquarters. The fol- week, movers arrived— etty employees still working ir desks—and began carting ms away.

at was dumb, just dumb," one Getty employee. "It's th the chief executive of a illion-dollar corporation to least wait for the body to be t left a bad taste in people's s."

aco declined to make Chair- McKinley available for an iew for this story. Robert C. McCay, a Texaco senior vice president transferred to Los Angeles to supervise the Getty merger, said the company has tried to be responsive to the problems of Getty employees, but its hands were tied by the FTC order until two months ago. Since then, he said Texaco has been moving as quickly as possible to let Getty workers know whether or not they will have jobs.

"We've tried to be as humanistic as we could," McCay said. "We are on course to try to get the best possible staffing from the combined resources of both companies."

Texaco officials estimate that of Getty's 15,000 employees who worked in the oil and gas business, about 80% will have jobs in the combined companies, meaning about 3,000 will be laid off. Many of those who will keep their jobs are at facilities such as oil refineries or production fields where there is no duplication with Texaco's business. The greatest proportion of layoffs will be at corporate headquarters, where about half of the 600 employees will lose their jobs, officials said. About 240 have already left, and most of the remainder will be gone by the end of this month.

Donald Bickmore is one of the employees who is staying. Bickmore, 57, was a Getty vice president in charge of the company research center and the analysis of its exploration and production spending. At Texaco, he will oversee oil exploration in the Western states and Alaska. It was the third time in his 31-year-career that the oil company he worked for was acquired by a larger firm.

"A merger is never really pleasant for an employee, no matter which side you're on," he said.

Personnel manager Caraher is one who is leaving. He joined the company five years ago and never expected Texaco to be able to offer him a comparable personnel job.

"The management people are an asset Texaco doesn't want," Caraher said. "They want to divest as fast as possible because people cost money."

Pamela Phillips has already left to take a job at the California Community Foundation. She was in charge of reviewing applications from community organizations seeking corporate contributions, and said she spent her last weeks on the job fielding calls from worried program directors asking how much of the Getty funding Texaco would continue.

"Petersen encouraged people in the company to be on the boards of nonprofit organizations," Phillips said. "He wanted them involved in community affairs, and Getty often contributed funds to those programs."

The presence of Getty's headquarters in Los Angeles meant $2.2 million in local charitable and cultural contributions this year, and the company spent about $8 million nationwide on contributions. Endeavors supported by the company include the Multiple Sclerosis Sports Classic, the city's Adopt-a-School program, and the Los Angeles Philharmonic Orchestra. A preliminary Texaco report indicates that much of the support to local organizations will be cancelled, although McCay said no final decisions have been made on future funding.

Stuart Evey, 51, who had been a vice president in charge of Getty's non-oil operations, left the company in June after Texaco told him he wouldn't be offered a job. Texaco has already sold off most of the subsidiaries that were under Evey's control. His 26-year career at the company had included a stint as executive assistant to George Getty, the founder's son who had run the company until his death in 1973. His face saddens when he remembers how the Getty family had treated company employees.

"I remember being at a social function once with George Getty where people from other oil companies were gloating about how much their companies had in oil reserves," Evey said. "George said the major reserves of an oil company are its people, with the oil reserves taking a second position. Getty appreciated its people."

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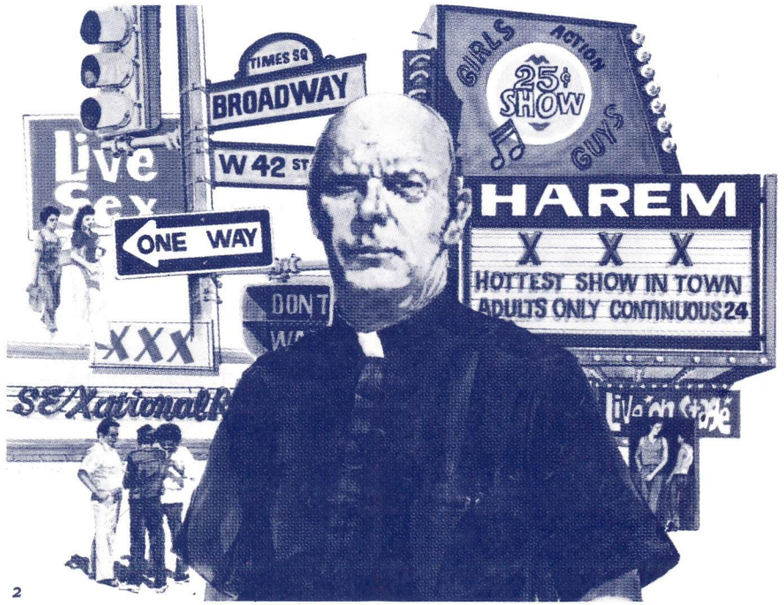
This good priest's world is the sordid one of the Times Square sex industry. His pact: to free the thousands of runaway youngsters enslaved in it

Father Ritter's Covenant

By John G. Hubbell

The 17-year-old boy is in bad shape. He has syphilis, ulcers, intestinal parasites, lice. He is alcoholic. He tells the priest that he has been a male prostitute for three years, that he has survived by hustling on the streets of New York City. He has sold himself in perhaps a thousand beds and a thousand cars. He does not like what he knows of life, and he challenges the priest to tell him why he should not jump off a bridge.

Father Bruce Ritter has been talking to kids like this for years but he is scared every time, for he knows their terrible sadness, their overwhelming hopelessness. Not a day passes but youngsters come to Under 21, his crisis center and sanctuary near Times Square,* and talk to him of suicide—one recent Friday alone there were eight, ages 13 to 19. Now, again, he is, literally, contending for a human life. He must say exactly the right things and be careful not to let his own fear creep into his voice.



Ritter listens to the boy for a long time. It is a tale of physical and psychological abuse in foster homes where the only interest in him was the money the city paid for his care. At 14, when he ran away, he could not read or write and had no job skills. But on Times Square he learned there was a market for his body. It was all he had to sell.

The priest insists that the boy has better choices than the streets or suicide. The boy finally agrees to stay over and talk again in the morning. He gets a shower, a hot meal and a clean bed. Silently, Ritter says a prayer of thanksgiving. Maybe he'll be lucky with this one.

He wasn't lucky with 17-year-old Gayle. Her pimp had brutally beaten her one night just before Christmas for holding back a little extra from her earnings as a prostitute. Ritter could not make her understand that she was not the pimp's "property" and did not have to go back to him. A few days after she returned to the pimp to seek his forgiveness, parts of her dismembered body were found in Christmas-wrapped packages around metropolitan New York.

Nor was Ritter lucky with Veronica, a 12-year-old with a dozen arrests for prostitution. She, too, went back. No one knew whether she jumped or was pushed to her death, but in bars along Eighth Avenue her pimp boasted he'd "thrown a bitch out a window."

The anguished priest prays for all the kids he has known who didn't make it, and he worries about the kids he might be able to help—a pregnant 16-year-old, for example, who has gonorrhea and pneumonia. Ritter worries, also, about a boy who phoned and said he was 13 and for three years had been forced to make pornographic films. He wanted out, but was sure he would be killed if he ran. Before the priest could get his name and location, the terrified youngster hung up. Pray God he will call again!

Massive Destruction. Father Bruce Ritter, 53, is a pleasant, gentle, quietly tough Franciscan whose doctorate is in medieval theology and whose life's work is a battle against the horror continuously unfolding in and around Times Square. He runs Covenant House, a rescue-protection agency, headquartered on West 41st Street in a former drug-rehabilitation center which New York State rents to him for $1 a year. The place is known as Under 21 because it's open to anyone under 21 years of age. Some 12,000 kids will seek help there this year.

*Under 21, 460 West 41 St., New York, N.Y. 10036.

Much of the Times Square area is a rotting sewer of a place. Movie houses offer round-the-clock pornographic films and live sex, and streets are lined with porno bookstores, strip joints, transvestite bars and two-bit peep shows. The neighborhood crawls with hookers, hustlers and pimps. Anything-goes sex is the major industry and its chief commodity is young bodies, which are always in good supply—there are an estimated 20,000 under-16 runaways in New York and thousands more between 16 and 21.

"They aren't *bad* kids," Ritter says. "Most have run away from parents or guardians who abused them, or they're throwaways whose parents kicked them out. They come to New York because it's a big city and they think they'll be able to find new lives here. Most are unemployable. Pimps pick them up, sweet-talk them, feed and give them lodging—then beat, rape, exploit, torture and even kill them. In one three-year period, 176 prostitutes, including many kids, have been murdered. But that doesn't include suicides and the ones who were given drug overdoses: You want some troublesome kid dead, you OD him. Who cares? It's just a stupid little prostitute or some dumb kid who OD'd, and that's the end of it."

Nearly everyone who comes to Under 21 is scared and apprehensive, but the atmosphere soon induces relaxation. A youngster is asked only his name, age and hometown. He is offered medical attention, food, a bath, a bed, and free use of a telephone to call home. Says Ritter's top aide, Stephen Torkelson, 36: "We surround the walk-in with a lot of good people who really care about him. We want him to know that he is safe here. If he has no home to return to we want him to stay with us. We don't want him to go back into the streets. We don't press. We try to convince him there is an alternative to his destructive life-style."

But far more often than not, the destruction has been massive; some 70 percent of youngsters who walk into Under 21 do not stay. For many, their experiences have worked an evil magic; they will not give up drugs, alcohol and the street. Others, unschooled and unskilled, simply lack confidence that they can learn to survive any other way.

Shot of Love. Yet, if Under 21's success rate seems low, some individual successes are impressive. A dozen ex-prostitutes are now full-time college students. The 17-year-old boy whom Ritter steered away from suicide is now a restaurant cook, enthusiastic about his job and life. Ritter howls with laughter while reading a letter from one lad he persuaded to go home—the boy became an insurance salesman and now wants to sell the priest a policy.

The first step for the Under 21 walk-in is an examination by Dr. Peter Masella, a specialist in adolescent medicine. "These kids' bodies are maps of their lives," he says.

"People have burned them with cigarettes, scarred them with whips and red-hot coat hangers, and broken their bones. Many have VD—it's epidemic with our kids. Many have tuberculosis. Many are hooked on drugs; virtually all use marijuana, and a lot use angel dust. No one has given them value systems, and often their best instincts have been destroyed. I wish I had an intravenous injection with a huge shot of love in it. That would do more good than all the penicillin in the world."

Under 21 *is* a big shot of love. The only rules, the new resident is told, are no drugs, no booze, no violence. The cafeteria is open to any street kid who needs a meal or three meals per day. Under 21 has 200 part-time volunteers who come in when they can and do what they can.

Practical things happen, too. Those desiring school can get it—certified teachers conduct diagnostic and remedial programs, including on-the-job training. "Many of them," says math teacher Jeri Wellman, "haven't been in a classroom in years. We find they are perfectly capable of learning and want to learn."

"Scene From Hell." Bruce Ritter got into the salvaging of young lives one day in 1968 after preaching an "outrageously self-righteous" sermon suggesting that his Manhattan College students were not concerned enough about the less fortunate. "What about you, Father?" one student asked. "Why don't you practice what you preach?"

Shocked at his own smugness, Ritter apologized to the students. Soon, he left the college and took a tenement apartment on New York's Lower East Side, hoping to be a chaplain to the neighborhood's large drug-addict population. His neighbors, fearing he was a narcotics agent, gave him a wide berth. Then, ascertaining his true identity and purpose, they burgled his apartment every day for a month, stealing even his clerical garb. "Nothing personal about it," he says. "I had possessions and they had little. Once they had redressed the economic imbalance, the burglary stopped."

One midwinter midnight two girls and four boys aged 14 to 17 knocked on his door pleading for shelter. They had been living in an abandoned building but had been burned out after refusing an offer from some junkies to pimp them. Ritter bedded them down on the floor of his apartment. Next morning he got on the phone. To his dismay, one social-welfare agency after another said it could do nothing. "They were too old, too young, too sick, not sick enough; or the agency couldn't be reimbursed, and so on," Ritter recalls.

Frustrated and angry, he resolved to look after the youngsters himself. He drove a cab and preached in churches around the city, pleading for funds. As word spread about the good priest, other kids came. Bills piled sky-high. Often, there wasn't enough food.

By 1972 Ritter was caring for hundreds of youngsters. He obtained a child-care-agency license that entitled him to some public funds, and formed Covenant House—its name derives from the Biblical covenant between man and God. Five years later, after many visits to Times Square—"a scene straight out of hell"—he opened Under 21, financed initially by the Roman Catholic Archdiocese of New York, his own Franciscan order and the Charles E. Culpeper Foundation.

Happy People. Covenant House is constantly on the edge of financial disaster. It needs about $6 million a year to feed, clothe, shelter and care for its charges. City, state and federal governments supply about 30 percent; Ritter must raise $4 million from private sources. He doesn't worry about it, even when his comptroller warns him, as he did recently, that the food budget for the fiscal year had been eaten up in the first five months. He insists the problem is the Holy Spirit's. For his part, Ritter keeps up his speaking engagements in churches and before civic and religious organizations. He asks for money and service. "Come work with me," he says. "Give me a year of your life and I'll give you a chance to feed the hungry, clothe the naked, tend the sick. I'll provide room and board and pay you $10 a week. Plan on three hours of prayer daily, and that's not negotiable. You'll need the strength you get from it to remain effective in the work you'll be doing."

Who responds? The widow of a New York State Supreme Court justice, a recent graduate of the Harvard University Law School, a new chemistry graduate from Texas A&M; numbers of skilled tradesmen, salesmen, high-school and college graduates from Florida, Maine, Indiana, Canada—40 in all, and there's a waiting list of 50. They find the life as austere and the work as grim as Ritter warned, but they smile a lot. They are happy people, grateful for the chance to help the kids.

Unfortunately, the problem these people face is not just a New York one. Ritter insists it is no different from the problem in other cities—only bigger. In speeches and interviews, he castigates politicians, prosecutors, police and the courts for their failure to deal with it.

What to do about it? We can't all be Father Ritters, of course. But there is something we *can* do: We can express our outrage at what is happening to our children. For the sexual exploitation of our young will stop only when we get angry enough to do something about it. As Father Bruce Ritter got angry and is doing.

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