

My name is Don Villarejo. I am a member of the California Agrarian Action Project and also of the California Campaign for Economic Democracy. I am speaking for both groups today. Our primary concern is to extend greater public control over and participation in the fundamental economic decisions that affect peoples' lives. Of concern to this committee are policies regarding the uses to which pension funds and other public monies are put.

Decisions concerning the use of the more than \$35 billion of public monies currently available in California should, in our view, be made with the public interest exclusively in mind. In particular, the ceding of most decision making power over the use of these funds to the private sector should not be permitted to continue. It is difficult to imagine that the public interest is being served when the public itself is largely excluded from decisions regarding the use of the public monies. For example, hundreds of millions of public employee pension fund dollars are indirectly propping up dictatorial foreign governments or are being reinvested overseas by corporations conducting a never-ending search for cheap labor. It is not at all clear that public employees would invest their pension funds in this manner if they had full control over the decisions involved.

There are some who argue that social policy and good banking do not mix. Proponents of this view suggest that traditional banking practices best serve the interests of state employees just as they are presumed to serve the best interests of other bank clients. At its root this point of view accepts unchallenged the notion that the private sector knows best, that the economy should be left in the hands of private management and, in this manner, the public will

eventually benefit. This laissez-faire perspective is, however, unable to account for the continuing stagflation of the 1970's. Even the most knowledgeable spokespeople of this view find themselves hard-pressed to explain just how spiralling inflation and high unemployment go hand in hand.

In recent weeks there have been a number of well publicized instances of private economic decisions that not only failed to benefit the public but also surely did some considerable damage to the public interest. For example, the Bethlehem Steel Corporation recently announced the permanent lay-off of 3,500 of its employees at the Lackawanna, New York plant. City officials of that community were among the first and most vocal of those protesting the decision for they were well aware that the lay-offs dealt a mortal blow to the city's economy and its tax base. Another example: the announcement by the Kennecott Copper Corporation that it will lay-off fully 10% of all of its employees while maintaining production at the same high level. In other words, the relentless drive for increased profit would, in this case, be accomplished at the price of the job of one out of every ten Kennecott employees.

A final example concerns the Sacramento Valley where I live and work. This region is the center of the tomato canning and processing industry, producing a majority of the canned tomato products consumed in the United States. Massive layoffs have this season struck the cannery tomato industry resulting in the displacement of some 11,000 farmworkers.¹ The immediate cause of this widespread and growing unemployment is the introduction of electronic eye sorting equipment to separate green from red ripe fruit on mechanical harvest machines. Work crews have been reduced from twenty workers

to just five per machine. Where last year some 30,000 farmworkers were employed, this year finds 35% thrown out of work without any prior notice or warning. The introduction of over 400 electronic eye sorting machines this season was made possible through the liberal credit provided by the private sector to growers interested in the newest technology. Andco Farms, Inc., the largest tomato grower in the world, was able to obtain credit in 1973 to lease 16 FMC tomato harvest machines from the FMC Leasing Corp., a subsidiary of the manufacturer, the FMC Corp.² Just one year ago, Andco Farms obtained credit to lease FMC Color Sorting Systems to equip the harvesters with the electronic eye.³ And at the same time Andco Farms, as 50% owner of a newly built tomato cannery, received a \$4.2 million credit from the FMC Finance Corp., another FMC subsidiary, to finance the cannery's construction.⁴ Evidently, credit in the private sector is readily available to those investing in the latest labor replacing machinery.

By way of contrast, ~~you heard testimony yesterday from~~ Howard Beeman, Jr., ^(b) a Yolo County farmer who operates a successful commercial-scale organic farm of some 500 acres. Among the many unusual practices at the Beeman ranch is the use of labor intensive methods as a substitute for chemical or energy expensive methods wherever possible.. For example, hand weeding of the 160 acre cannery tomato crop was carried out instead of the conventional herbicidal spraying. Yet this unconventional approach of substituting labor for chemicals and machinery is enough to disqualify Beeman from access to the private credit market. ~~As you learned from him directly,~~ ^{mention bank relation to ag chem & oil companies} Private sector credit has been repeatedly denied to his ranch.

Increasingly, from the Kennecott Copper mines to the

4
Lackawanna plant of Bethlehem Steel to the tomato fields of Yolo County, California, the jobs of working people are being sacrificed on the alter of corporate profit. The final irony, of course, is that government is left to clean up the mess through programs of unemployment compensation, welfare and public service jobs.

I do not claim that it is the intention of the private sector to create unemployment. But it should be clear that private credit decisions have helped create the massive labor displacement now facing Sacramento Valley farmworkers. It is the preoccupation of the private sector with "the bottom line" that leads to the sacrifice of workers' jobs if that approach will increase the margin of profit. It is but one more step to the kinds of decisions that brought hundreds of millions of public employees' pension fund dollars to corporations doing business in South Africa. The search for cheap labor has little respect for national boundaries.

If the service of the public interest is to be the exclusive goal of the investment of public monies, as we advocate, what approaches are available? First, the public can insist that, as a condition for deposit of public funds, private financial institutions add public members to their corporate boards to oversee the public interest. This step will begin the process of opening up private financial organizations to policy-making in the public interest.

A more significant step is presently under consideration by this committee: the creation of a public bank. This concept has already proven itself in another state so that there can be no objection to the principle involved. Thus, discussion of this possibility can focus entirely on the practical aspects of the role such a public bank can play

in stimulating economic development in the state. Others have indicated how a competitive public enterprise of this type could have such a desired effect in the industrial sector.

California is the nation's leading center of agricultural production. Thus, a California state bank should direct attention to the unmet needs of those who work in this sector of the economy. Giant agribusiness companies have little trouble obtaining credit in the private money market. Crop and equipment loans readily flow to those enterprises. The evolution of a highly concentrated pattern of agricultural production in our state has resulted today in 60% of total production coming from organizations with annual sales of \$500,000 or more.⁵ These are not simple family farming operations. In fact, the acceleration of this development in recent years is underscored by statistics just released from the 1974 Census of Agriculture showing that the total number of farms in California dropped by 13% in the previous five year period. The disappearance of the family farmer is an accepted fact.

Accompanying the heightened concentration of farming operations is mechanization that this year threw thousands of farmworkers out of work in the cannery tomato harvest. But this year also saw the introduction of new harvest machines to automate the gathering of fresh market tomatoes, of lettuce and of wine grapes. Mechanization research projects currently under way at UC Davis and UC Riverside are aimed at replacing some 176,650 workers, or nearly three-quarters of seasonal employees.⁶ In short, we are on the threshold of a major technological leap in the character of crop production.

That the private sector has not always acted in the best interests of the public is well exemplified by the plight of the small grower and farmworker alike. A state bank offers the hope of creating a source of credit that can provide an alternative to the giant agribusiness enterprises that today control our food supply.

Commercial scale organic farms, like Howard Beeman's need credit. Other types of enterprises have sprung up in response to the desire of urban dwellers for cheap, high quality food. From marketing co-ops to farmworker controlled production co-ops California boasts a small but significant alternative to giant corporate farms. In the Salinas Valley there is La Co-operativa Central, a strawberry production co-op of some 53 member families operating on 200 acres. In Yolo County the ADC co-op currently has 17 farmworker families and farms 160 acres of leased federal land. Next year they will lease another 480 acres bringing production up to a full 640 acres. And there is El Bracero, a small co-op financed with a loan from the Westside Planning Group in Fresno County. Because these enterprises are non-traditional farming operations their search for credit has been long and frustrating though not entirely without success. A state bank offers the possibility of reversing the trend toward complete control of our food supply by agribusiness giants.

We have already proposed that farmworkers thrown out of work by mechanization be resettled on publicly owned farmland that is presently leased to big growers. There are thousands of acres of such land available for this purpose. A state bank could provide credit to help get these farming operations underway, modeled after the

successes of the ADC Co-op and Co-operativa Central.

The recent decision by the U.S. Dept. of Interior regarding sale of excess lands by farms receiving a federal water subsidy promises to make an additional 500,000 acres available to farmers committed to alternatives to corporate farming. Southern Pacific Land Co. and other giants will be forced to sell off much of the huge blocs of land they now hold in the Westlands Water District. By switching production to labor intensive farming there is the possibility of resettling thousands of people on the land. To those who question whether there are people interested in such a bold step let me read to you one of the demands prepared by delegations of farmworkers put out of work this year by mechanization and presented to Governor Brown's office less than two weeks ago.

"6. We demand that displaced farmworkers who wish to remain in agriculture be resettled on publicly owned farmland. In Yolo County there are more than 8,000 acres of publicly owned cropland leased to big growers. We demand leases for displaced farmworkers to work those lands, credit to begin production and technical training to farm those lands. The recent decision by the Department of Interior to enforce the 160 acre limit on lands irrigated with federal water means that thousands of acres of farmland will become available. We demand that farmworkers displaced by mechanization be resettled on those lands as well."

What this committee has is an opportunity to chart a new future for California's economy in which public enterprise

can play a stimulating role in areas where private enterprise will not be active. The stagflation we now experience will not be solved by corporations that seek to increase profits at the expense of workers jobs. Some, of course, will argue that reducing the workforce while maintaining production levels is simply increasing productivity that will ultimately benefit everyone. We think that this view is not supported by fact. For example, in 1965 the cannery tomato harvest began the switch from hand harvest to the first mechanical harvesters. Within a few years all of the harvest was mechanized. In the period from 1965 to 1972 the number of growers of cannery tomatoes decreased from 4,000 to just 600.⁷ Thousands of small farmers were driven out of the business because they were unable to afford the high costs of the new technology. Naturally, there was some decrease in the cost of tomato production, amounting to about \$7.25 decrease per ton of harvested tomatoes. But the consumer never saw this savings. In fact, the price of canned tomato products increased by 111% since 1964, the year before the harvest was mechanized while the average price of processed fruits and vegetables went up only 76% in the corresponding time period.⁸ And in the end a new hard tomato was bred to withstand the high speed operation of the new technology. In the words of your colleague, State Senator Walt Stiern (D-Bakersfield), "They taste like rubber."

"Hard tomatoes and hard times" is the phrase coined by the Agribusiness Accountability Project to summarize the recent developments in corporate agriculture. Financing, of course provided by the private sector. We believe that a state bank can offer the people of California the alternative

they so desperately want and deserve. Thank you.

Notes

1. State Assembly Office of Research Report prepared by Manuel Hernandez, June 6, 1977.
2. UCC Financing Statement 1210/1973 filed with the Yolo County Recorder, Woodland, California.
3. UCC Financing Statement 76 095 779 filed with the office of the Secretary of State, Sacramento, California.
4. Official Records of Solano County, 20505/1974 filed with the Solano County Recorder, Fairfield, California.
5. Sacramento Bee, September 18, 1977, p. A22
6. No Hands Touch The Land, California Agrarian Action Project, July 1977, 1007 Chestnut Lane, Davis, Ca. 95616
7. Destalking the Wily Tomato, William Friedland and Amy Barton, University of California at Davis, Department of ABS, Research Monograph No. 15, June 1975.
8. Handbook of Labor Statistics, U.S. Department of Labor, Bureau of Labor Statistics 1970 (Bulletin 1666); 1976 (Bulletin 1905).