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EMERGENCY EMPLOYMENT ACCELERATION ACT

GOVERNMENT
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HEARINGS BEFORE THE SUBCOMMITTEE ON EMPLOYMENT AND MANPOWER OF THE COMMITTEE ON LABOR AND PUBLIC WELFARE UNITED STATES SENATE EIGHTY-SEVENTH CONGRESS

FIRST SESSION
ON

S. 986

A BILL TO ASSIST IN THE REDUCTION OF UNEMPLOYMENT THROUGH THE ACCELERATION OF CAPITAL EXPENDITURE PROGRAMS OF STATE AND LOCAL PUBLIC BODIES

WASHINGTON, D.C.

MAY 17, 22, 23, AND JUNE 12, 1961

Printed for the use of the Committee on Labor and Public Welfare



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1961

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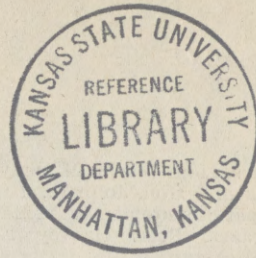
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EMERGENCY EMPLOYMENT ACCELERATION ACT

WEDNESDAY, MAY 17, 1961

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND MANPOWER
OF THE COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met at 9 a.m., pursuant to call, in room 1318, New Senate Office Building, Senator Joseph S. Clark (chairman of the subcommittee) presiding.

Present: Senators Clark (presiding), Case of New Jersey, Prouty, Randolph, and Pell.

Committee staff member present: Samuel V. Merrick, counsel to the subcommittee.

Senator CLARK. The subcommittee will be in session.

We reopen hearings today on S. 986, a bill which is entitled the Emergency Employment Acceleration Act. It authorizes Federal grants to assist in the acceleration of State and local public works of all kinds in an effort to reduce unemployment during the current economic slump.

We have already received testimony in three States on this bill and two other measures before the subcommittee. We met in Pittsburgh and Chester, Pa.; Providence, R.I.; and Newark, Atlantic City, and Bridgeton, N.J. For convenience of reference, I will ask that the text of the bill be printed in the record at this point.

(The text of S. 986 follows:)

[S. 986, 87th Cong., 1st sess.]

A BILL To assist in the reduction of unemployment through the acceleration of capital expenditure programs of State and local public bodies

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

SHORT TITLE

SECTION 1. This Act may be cited as the "Emergency Employment Acceleration Act of 1961".

POLICY AND PURPOSE

SEC. 2. The Congress finds that unemployment in the United States has reached an intolerable level, and that emergency measures to increase employment opportunities are necessary in the interest of the public welfare. The Congress further finds that a quick and effective means of increasing employment is through the acceleration of capital expenditure programs of State and local governmental bodies, particularly through smaller projects which can be initiated promptly and completely by the time the private sector of the economy has recovered from the recession. Virtually every community in the Nation has a backlog of needed public projects, and an emergency acceleration of these projects now will not only increase employment at a time when jobs are most urgently required but will also meet long-standing public needs, improve community services, and enhance the health and welfare of the citizens of the Nation.

The purpose of this Act is to provide an incentive, through Federal grants, for State and local governmental bodies to accelerate their capital expenditure programs through the initiation of projects which can be begun promptly and completed over a reasonably short period of time, such assistance to be automatically terminated when the rate of unemployment falls below the level of 4 per centum of the civilian labor force after adjustment for seasonal variation.

DEFINITIONS

SEC. 3. As used in this Act—

(1) the term "States" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territorial possessions of the United States;

(2) the term "public works and facilities" includes the construction, repair, and improvement of public streets, sidewalks, highways, parkways, bridges, parking lots, airports, and other public transportation facilities; public parks and other public recreational facilities, public hospitals, rehabilitation and health centers; public refuse and garbage disposal facilities, water, sewage, and sanitary facilities, and other public utility facilities; civil defense facilities; public police and fire protection facilities; public schools, libraries, museums, offices, and other public buildings; and public land, water, and timber conservation facilities.

GRANTS

SEC. 4. (a) The President may, upon application and under such rules and regulations as he shall prescribe, make grants to States, municipalities, and local public bodies, to finance the construction of specific public works and facilities under State, municipal, or other applicable law; but no such grant shall be made for the payment of ordinary governmental or nonproject operating or maintenance expenses.

(b) The authority conferred by this section shall be subject to the following restrictions and limitations:

(1) No grant shall be made with respect to any project unless such project results in a net increase in the current annual level of capital expenditures of the applicant.

(2) The amount of any grant with respect to any project shall not exceed 45 per centum of (A) the cost (as determined by the President) of undertaking and completing the project, exclusive of any costs attributable to land acquisition, or (B) the amount of the net increase in the current annual level of capital expenditures of the applicant attributable to such project, whichever is the lesser.

(3) No grant shall be made in the case of any project, if a grant or a commitment for a grant has been made with respect to such project under any other Act of Congress.

(4) No grant shall be made with respect to any project the construction of which cannot be commenced and completed within a reasonably short period of time. In entering into contracts for grants under this section, the President shall accord priority to projects which he determines can (A) be commenced by the letting of construction contracts within ninety days after a contract under this section is entered into, and (B) be completed within twelve months after construction is commenced.

(c) The President may contract to make grants under this section aggregating not to exceed \$500,000,000. Such limit may be increased at such time and in such amount, not exceeding \$500,000,000, as the President determines, after consultation with the Council of Economic Advisers, is necessary to fully accomplish the objectives of this Act.

(d) The faith of the United States is solemnly pledged to the payment of all grants contracted for under this section, and there are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments.

(e) The authority to enter into contracts for grants under this section shall terminate whenever the President determines, upon the basis of statistical data compiled and published by the Department of Labor, that the national unemployment rate, adjusted for seasonal variations, is not in excess of 4 per centum of the civilian labor force of the Nation; but nothing herein shall affect the validity of any contract entered into under this section prior to any such determination.

LABOR STANDARDS

Sec. 5. All laborers and mechanics employed by contractors or subcontractors on projects assisted under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5), and every such employee shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be. The Secretary shall not approve any project involving the contribution of Federal funds without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176, 64 Stat. 1267, 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1934, as amended (48 Stat. 948, as amended; 40 U.S.C. 276c).

GENERAL PROVISIONS

Sec. 6. (a) In the performance of, and with respect to, the powers vested in him by this Act, the President shall maintain an integral set of accounts which shall be audited annually by the General Accounting Office, and no other audit shall be required.

(b) In the performance of, and with respect to, the powers vested in him by this Act, the President may—

(1) sue and be sued;

(2) commence any action to protect or enforce any right conferred upon him by law, contract, or other agreement;

(3) include in any contract or instrument made pursuant to this Act such covenants, conditions, or provisions as he may deem necessary to assure that the purposes of this Act will be achieved; and

(4) make advance or progress payments on account of any grant contracted to be made pursuant to this Act, notwithstanding section 3648 of the Revised Statutes.

(c) There are hereby authorized to be appropriated such sums as may be necessary to administer the provisions of this Act.

AMENDMENT

Sec. 7. Section 110(d) of the Housing Act of 1949 is amended by adding at the end thereof the following new paragraph:

"Notwithstanding any other provision of this subsection, the provision of any public improvement or facility with respect to which assistance has been extended under the Emergency Employment Acceleration Act of 1961 shall not be considered a local grant-in-aid within the purview of this subsection."

DELEGATION OF POWERS

Sec. 8. The President may delegate any function, power, or authority conferred upon him by this Act to such departments, agencies, or offices of the Government as he deems appropriate; but nothing herein shall authorize the delegation of the power conferred upon the President by the second sentence of section 4(c).

Senator CLARK. This bill is intended to help carry out the mandate of the Employment Act of 1946, which pledges the Government to use its powers to bring about circumstances which result in maximum employment, production, and purchasing power. It was introduced on February 20, when unemployment, on a seasonally adjusted basis, stood at 6.8 percent of the labor force—more than double the level of unemployment that we would tolerate in an economy of maximum employment.

Since then, it is generally acknowledged that the recession has "bottomed out" and recovery has begun. The industrial production index has risen. Yet unemployment, seasonally adjusted, remained in April at a level exactly equal to that of February, or 6.8 percent.

I am very much concerned, as I believe are all the members of the subcommittee—and my colleagues on the subcommittee, the Senators from West Virginia and Rhode Island, are cosponsors of this measure, as is Senator Gruening, of Alaska—that as industrial production revives a corresponding increase in employment and reduction in unemployment will not take place. There is much evidence that automation and other improvements in technology will make it possible to make substantial increases in production with little or no improvement in the unemployment picture.

Also, the constant increase in the labor force is another vitally important factor in making improvement in unemployment ratios difficult indeed.

I do not believe, therefore, that we can by any means take it for granted that the recovery that is in prospect will be sufficient to absorb the almost 5 million currently idle members of the labor force, without additional strong measures by the Government to stimulate employment and recovery.

This hearing is timed to coincide with the review that the administration is currently giving to its economic and fiscal policies. I believe the testimony of our witnesses will be useful to the administration in its consideration of whether additional fiscal measures at this time are necessary and, if so, whether this particular measure embodies a desirable and workable approach.

Ideally, of course, this measure, if it is a sound proposal—as I believe it is—should have been enacted several months ago. The time to expedite public works is at the moment that the private economy begins to slide downhill. The recession was well underway last fall, and the measure we are now considering would have been of greatest use if put into effect late last autumn or early last winter.

One of the recommendations of the Special Committee on Unemployment Problems, which was created after the 1958 recession, was that standby antirecession legislation be placed on the books in good times, so that it would be available as soon as recessionary trends in the economy became apparent. With the cosponsorship of several of my colleagues, I introduced such a standby measure in the last Congress. Unfortunately, it was not enacted, and we entered this recession again unprepared for immediate effective action.

Accordingly, whether or not the subcommittee decides to propose a measure along the lines of S. 986 for immediate application, I hope we will devise and propose standby legislation to be placed on the statute books well ahead of time for immediate application when and if the economy turns down again in the future.

May I reiterate, in my own judgment, while it would have been better to pass this bill last year, it is still necessary to pass it, because I see no evidence whatever that we are going to be able to make a serious dent in the present 5 million unemployed, and I, for one, will not be content until we get the percentage of the labor force which is unemployed down to 3 percent, which seems to me to be the highest figure which can take care of frictional unemployment. It seems to me, if we are going to have maximum employment, we have got to go to work to try to get it.

We are particularly happy to have as our first witness today Mr. George Meany, president of the American Federation of Labor-Congress of Industrial Organizations.

Mr. Meany, I am most grateful to you for coming down so early in the morning.

Now if you are ready, Mr. Meany, will you please proceed in your own way?

STATEMENT OF GEORGE MEANY, PRESIDENT, AMERICAN FEDERATION OF LABOR-CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. MEANY. Mr. Chairman, members of the committee, I am representing the American Federation of Labor and Congress of Industrial Organizations. I want to express on behalf of myself and our organization our appreciation for this opportunity to give our views on the need for a more vigorous public works program.

Let me begin by describing the economic background as we see it—both the present circumstances, and the probable developments in the years immediately ahead.

I am sure you are glad to note, as we were, the Federal Reserve Board report last week that showed an increase of 2½ percent in industrial production during the month of April. While the production figure itself was not too impressive, the increase over March tends to confirm a widespread feeling that the worst of the recession is over.

We hope this feeling is justified. We hope there is a continuing upturn in business; as a matter of fact, we expect an upturn. But this will not in any way lessen the need for S. 986, or for other measures that I will outline shortly.

Unfortunately, over the last 7 years there has been a gradual but fundamental change in the workings of our economy, especially with regard to the business cycles. While we have our ups and downs, as before; and while in each period of prosperity we reach new peaks in such matters as production and total employment, in one respect we never fully recover at all. This is in the reduction of unemployment.

We are left, at the height of each boom, with more jobless workers than we had before—not just in numbers, but in percentage as well.

This development has not been widely noticed in Wall Street or Washington; it has been obscured, in good times, by the overall sense of well-being. But it has been noticed on hundreds of Main Streets in hundreds of factory and mining towns; and, of course, it has been sharply noticed in the labor movement, where the welfare of workers is a primary concern.

I have some figures here that show what has been happening.

In 1953, the period of prosperity that followed the Korean war, we had 1.9 million unemployed, a rate of 2.9 percent. Most experts, as you are undoubtedly aware, consider that we have effective full employment when the jobless rate is no higher than 3 percent, on the grounds that a certain number of workers are always changing jobs or are temporarily idle for other reasons. So in 1953, it could be said that the Nation was prosperous in all respects.

The next year we had a recession. By 1956 we had recovered. But in 1956 we had 2.9 million unemployed, a rate of 4.2 percent.

Another recession followed, and another recovery. That recovery left us, in 1959, with 3.8 million out of work, or 5.5 percent.

Let me repeat those figures in series. In numbers of unemployed, 1.9 million; 2.9 million; 3.8 million. In percentage, 2.9; 4.2; 5.5.

From 1953 to 1959, the number of jobless—in time of prosperity—increased 100 percent; and the rate nearly doubled as well.

Turning to the present, what do we find? As of April, we find 4.9 million out of work; a rate of 6.8 percent.

I do not maintain, of course, that this should be considered a prosperous time, compared to those I have just cited. But I do call your attention to the fact that April was the same month in which industrial production moved up in such an encouraging way.

Some may argue that the trend since 1953 has been only a passing phenomenon; that it doesn't indicate a fundamental change in the employment pattern.

We disagree. We believe the change is fundamental because it arises from basic changes in the shape of our economy and in the growth pattern of our population.

Total employment in manufacturing, mining, agriculture, and transportation is actually shrinking, and shrinking fast. It will continue to shrink under the impact of automation and other technological improvements. In existing industries—auto, steel, textile, and so on—we can produce more and more goods, all we can possibly consume, with fewer and fewer workers. And there are no new industries in sight that offer the prospects of massive employment; nothing to occupy the place that the auto industry filled for so long.

In the face of this, our labor force will start growing, this year, more than 50 percent faster than it did in the previous decade. We will have a net increase of about 1.3 million jobseekers annually, instead of the 800,000 a year that we averaged over the last 10 years.

It's true that there have been more jobs in white-collar occupations, in the service industries, and in Government. But here, too, automation is making itself felt. And many of these jobs are part-time. We have been pointing out for almost a year that if only full-time jobs, of 35 hours a week or more, were counted, the total number of employed workers in this country outside of Government would have shown a slight drop, rather than a rise, in recent years.

Senator CLARK. Mr. Meany, let me interrupt a moment. This is 25,000 new jobs every week we have got to find, isn't it?

Mr. MEANY. For the next 10 years.

Senator CLARK. Just to take care of the increase in the labor force, without regard to automation.

Mr. MEANY. Without anything else.

Now let's see how all these factors influence our job problem. Suppose we begin with the April figures, and see what would be needed to get our rate of unemployment down, not to the so-called ideal figure of 3 percent, but to 4 percent, by the end of this year.

Four percent of the April labor force was 2.8 million workers. Since we actually had 4.9 million unemployed, we start with a deficit of 2.1 million jobs.

To this, we should add another 1.2 million. That's the number of full-time jobs that would be equivalent to the involuntary idleness caused by part-time work. So our real unfilled backlog, as of April, is 3.3 million jobs.

As noted, the labor force will increase by about 1.3 million this year. Nearly all this rise will take place at the end of the school year.

On the basis of recent experience, 2.1 million workers will be displaced by technological changes, including automation.

One million marginal farmers and farmworkers will be squeezed off the soil.

These three sources give us 4.4 million to add to our present deficit. And they give us a grand total of 7.7 million jobs that must be found if we are to get unemployment down to the manageable rate of 4 percent.

Moreover, this is a continuing process. In 1962 we will have another increase of 1.3 million in the labor force; and in all probability, another 2.1 million workers displaced by advancing technology.

It is obvious, however, that the task of keeping up, even to the extent of 3.4 million jobs a year, would be far easier if we did not start so far behind. This comes out clearly when we consider the possible sources of greater employment.

We have consistently emphasized the need for a higher rate of economic growth than our country has experienced in the last 8 years. We feel that the present and prospective undertakings by the present administration will do much toward that end.

We are optimistic enough to expect a 4-percent increase in the real volume of national production during the full year of 1961. That should be enough to bring about a general recovery from the recession. However, once again, unemployment will remain high.

I have already indicated the reasons. First, at the beginning of a production pickup, employers restore short workweeks to normal length. That's what went on in April, and explains the surface conflict between the production and unemployment figures. Secondly, at least half the increase in production is likely to come through greater efficiency.

We estimate a 4-percent rise in production will bring about only a 2-percent rise in employment, or a million to a million and a half additional jobs.

Let us put the most favorable possible interpretation on this. Let us assume there will be $1\frac{1}{2}$ million more jobs, over and above the effects of higher productivity and the extension of short workweeks. That will barely be enough to cover the increase in the labor force. It won't make a dent in the unemployment we now have.

The best we can expect, then, is that by running very hard, we will be able to stand still. We may wind up with only a few more unemployed in a "prosperous" December 1961 than we had in a recession of December 1960.

I submit that this conclusion is inescapable. And I say that what it represents—a chronic unemployment rate of between 6 and 7 percent, which creeps upward with the passage of the years—is intolerable in a free society and a permanent barrier to our national security and well-being.

Senator CLARK. Mr. Meany, I want to interrupt to stress those last two paragraphs. I think they are of vital importance, and I hope they will receive the widest publicity across the country, particularly those who specialize in fiscal and monetary matters, and I hope they will receive wide understanding, both at the White House and at Capitol Hill. I think this is a frightening picture you are giving us.

Mr. MEANY. I have spent this much time on background—much of it familiar to you, Mr. Chairman, and to the other members of the committee—because I am well aware of the kind of opposition that will develop, and has already developed, to S. 986 and other public works proposals.

It will be argued that they are unnecessary, since recovery is well underway. It will be argued that they will overlap the construction aspects of the housing, school, hospital, and other administration programs that we hope Congress will soon enact. It will be argued that they would unbalance the budget.

In our opinion none of these arguments has merit.

S. 986 is necessary to help meet the very problem I have described—the problem of catching up with the unemployment problem we already have, so we can cope with the employment problems of future years.

The administration's basic programs on housing, school construction aid, and so on are sound. They should be effective economic stimulants, quite aside from their social value. But when? Next year, perhaps, or the year after.

S. 986 does not conflict with these programs; it is a necessary supplement to them. It would produce action, not next year, but right now. For as you know, it is centered on State and local projects that can be started in 90 days and finished within a year. Furthermore, these would be the kind of public works—sewage, water, and drainage projects; street and project improvements; fire and police station construction, railroad overpasses, and other State and local capital improvements which are not presently aided by Federal funds but which, nonetheless, are urgently needed.

What is more, plans for several billion dollars worth of such projects of long-term worth are now completed, or soon will be completed, according to a recent survey of the U.S. census. Moreover, this substantial "shelf" of public works is now in a ready-to-go state precisely because the Congress has provided Federal funds to encourage this kind of advanced planning. However, the Congress has failed to take the next logical step—the one proposed by S. 986—the enactment of legislation to help our hard-pressed State and local governments finance the construction of these standby projects at a time when action is most urgently needed to help reduce unemployment.

It is particularly noteworthy that S. 986 would:

(1) Limit Federal grants to the State and their subdivisions for public works that are permanent and essential.

(2) Provide these grants only on the condition that they bring about a net increase in capital improvement outlays and are not substituted for funds that otherwise would be provided locally.

(3) Exclude grants for which Federal money is provided by other acts of Congress.

(4) Give priority to projects on which construction can be begun within 90 days and on which work can be completed within 1 year thereafter.

But, suppose it turns out that our critics are right and—against all odds—unemployment does, in fact, decline rapidly within the next year? In that case, under the provisions of S. 986 the President would have authority to terminate all new grants, just as he

also would receive authority to initiate the program again whenever the jobless rate rises above tolerable levels.

As to the effect on the budget, I think we must face up to this frankly and boldly. Yes, the expenditure of \$500 million under S. 986 might unbalance the budget, by a modest amount.

We agree that the Federal budget ought to be balanced over a period of years; that deficits and surpluses should tend to cancel themselves out. We do not agree, however, that there has to be a balance every year.

Senator CLARK. That, also, is the point of view of the Secretary of the Treasury; isn't it, Mr. Meany?

MR. MEANY. Yes; lately, anyway.

Senator CASE. You mean the late Secretary, or the present Secretary lately?

MR. MEANY. The present Secretary lately.

Senator CASE. I think he has had this view quite awhile.

MR. MEANY. Well, let's say he has made it known lately. If unemployment is sufficiently high to permit authorizations under S. 986, then we say the circumstances call for a budget deficit, if necessary, to meet the emergency that excessive joblessness creates.

Surely it would be better to have a small deficit—a preventive deficit, you might call it—this year than a huge one next year. I suspect that at least some members of the previous administration would now accept this point of view, including some who were once zealous budget balancers. We all remember that a single-minded concentration on budget balancing, despite economic storm signals, embarrassed the administration in 1959 with the largest peacetime deficit in our history.

Senator CLARK. Let me point out, Mr. Meany, and get your comment on this, too. The President has recommended a number of loophole-closing amendments in the tax law. Loopholes which if closed would yield several billion dollars of additional revenue. He has also recommended an increase in the enforcement staff of the Internal Revenue Service, which the Collector of Internal Revenue himself thinks will yield several billion dollars of additional revenue.

Now it has been suggested that that additional revenue should be siphoned off by granting an accelerated depreciation allowance to induce more investment. I am not sure that you agree with that position. My own thought is that we can get quite a lot more revenue in without a general increase in taxes.

MR. MEANY. Well, of course, any one of the loopholes would pay for this bill.

Now, of course, the thing that disturbs us about the proposal to tax incentive on creation of new tools, equipment—what disturbs us is that we have this tremendous unused productive capacity at the present time; 25 percent of it has been lying idle for at least the last 12 months.

Well, to get back to S. 986, I don't want to spend too much time on details. The bill is a brief bill, and it is a clear bill; it does not need any elaborate explanation.

However, I would like to call the subcommittee's attention to the broader meaning of this legislation—its role in fulfilling the long-accepted principle that public works should be used as a countercy-

tical force against recessions. There's nothing new about this principle; it dates back some 30 years. Nonetheless, we have gone through four recessions since World War II. Every time there has been talk about public works. Every time Congress has weighed the matter. Every time action has been shelved because the worst appeared to be over.

Now the time to start public works—to get the completed plans down from the shelf—is not when a recession is in full swing. The time to start is when the clouds are gathering. The time to start is—to be specific—when unemployment edges over 4 percent, not when it's already over 6 percent.

So we feel that S. 986 has a continuing value. It would help the country get out of its present pinch, and it would establish a standby fund for quick use when the next recession looms.

The record proves that brush-fire recessions, like brush-fire wars, demand promptness above all. The longer the delay, the greater the damage. Standby authority for executive action, under carefully prescribed conditions, is to our mind essential.

It may be of historical interest to recall that important members of the previous administration were of the same mind. Ideas, similar to S. 986, were widely discussed; unfortunately, nothing came of it. But on these grounds alone, we can hope that the reasonable objective of accelerating public works during periods of economic slack will now receive broad bipartisan support.

As I indicated earlier, we in the AFL-CIO would go beyond S. 986.

In the first place, it is our view that the present Federal programs under which the States and local governments can receive long-term community facility loans should be broadened. During period of extreme unemployment, the borrowing ability of our most hard-pressed localities should be underpinned by granting these loans at the lowest possible interest rates. By this means they too would be able to obtain the Federal matching grants proposed by S. 986, and thus be able to accelerate their public works programing.

In addition, we believe additional steps must now be taken to accelerate Federal and federally assisted public works projects already authorized by law during periods of economic slowdown. Toward this end, legislation should now be enacted to allow the President to transfer up to \$2 billion from the unobligated balances of appropriations already made to certain executive departments and agencies, to such other departments and agencies as he deems necessary, during periods of extreme unemployment.

We suggest this kind of flexibility, not in any way to interfere with the prerogatives of Congress, but to insure the ability of the President to act with speed when conditions demand it.

Now, Mr. Chairman, I would like to make two brief points in conclusion.

The first relates to the tragedy of waste—both human and material—that goes with recessions and unemployment.

For the last year, our idle steel capacity would have matched the output of the Soviet Union.

Is it any answer to say that the steel corporations nevertheless showed a respectable profit?

For the last year, unemployment in the United States hovered around 5 million.

Is it any answer to say that no one actually starved?

We think not. We think there must be better answers.

We know it will be charged—and it has already been charged—that we are asking a huge boondoggle, a make-work program. You, Mr. Chairman, compared S. 986 with the Public Works Administration under Franklin Roosevelt and Harold Ickes. That comparison has been seized upon by the opposition as a platform for attack.

I would like to say this:

We are not suggesting a return to the New Deal of 1933 and the succeeding years. We know times have changed; we know that going back, even if we could do it, is not good enough.

But it would also be wrong, we think, to accept the assumptions of the opposition—that the New Deal failed to cure the very problem we are talking about, the problem of unemployment, and in trying to cure it, wasted vast amounts of the public's money.

I don't think we have to apologize for the schools, the bridges, the roads, the dams and the post offices that were built by PWA or WPA. They aren't symbols of public waste; they're monuments to public progress.

I don't think we have to be defensive because the New Deal—beginning its Herculean efforts after the near fatal errors of the administration that preceded it—failed to produce jobs for everyone in private employment. The New Deal gave useful, creative work to millions, to the lasting good of the country and the preservation of their own self-respect.

Senator RANDOLPH. Mr. Chairman, may I interrupt?

Senator CLARK. Please do, sir.

Senator RANDOLPH. Mr. Meany, I do this because it is necessary that I attend a session of the Subcommittee on Flood Control—Rivers, and Harbors, which is meeting in executive session to mark up our pollution abatement bill.

Here, again, is a challenge which we have, to control the pollution in the streams, and rivers, and the lakes, the waterways of the United States. I recall that during my brief service in the Senate we have prepared legislation along those important lines, only to find the action of the Senate and the Congress nullified by failure to appreciate the problem in its depth by those who were in authority in the administrative positions of our Government, and I am hopeful that that legislation will be strengthened and enlarged in the 87th Congress.

I hope that it is not inappropriate for me to say that I was a Member of the Congress of the United States under the administration of Franklin D. Roosevelt. I have never felt defensive about having been an energetic Member of the New Deal team in the Congress of the United States. I believe that the positive programs of public works which were proposed and carried to fulfillment under the leadership of the White House with the cooperation of the Congress stand, as you have indicated, as worthwhile monuments to the building of a better America; and with your permission, Mr. Chairman, I would like at this point to insert a statement of approval which I personally wish to give to the pending measure, which is S. 986.

Senator CLARK. Without objection that will be done. Thank you, Senator.

(The statement of Senator Randolph follows:)

STATEMENT BY SENATOR JENNINGS RANDOLPH

Mr. Chairman, I am grateful for this opportunity to express my support of S. 986, of which I am a cosponsor with yourself and the very able junior Senator from Rhode Island (Mr. Pell).

The emergency employment acceleration bill was conceived in its present form while the country was at the bottom of the recent recession. With the inauguration of the Kennedy administration we had reason to believe that the second look at the national economy which the administration was to take in the spring would reveal the necessity for implementing the pending measure. Apparently our sense of urgency was not shared by all concerned.

Though I will not argue with the priorities advanced by the President, I must declare my own conviction of the impelling need for the program which this bill would establish. Despite the more auspicious signs that we are emerging from the recession of 1960-61, seasonally adjusted employment for the month of May was 6.9 percent of the civilian labor force, and as you know, in my own State of West Virginia the average is almost twice that amount with some sections having a rate three times the national figure.

Our experience with the three preceding postwar recessions of 1949-50, 1953-54, and 1957-58 would indicate that although unemployment rate may be expected to decline, it will probably level off at a higher rate than that which was normal for the period immediately preceding the recession of 1960-61.

During most of the period 1946-48, the number of unemployed fluctuated between 1.9 million and 2.5 million. In the first postwar recession it rose by some 1.3 million and in July 1949 and January-February 1950, exceeded 4 million.

Unemployment again declined in the prosperous years of 1951-53 and was 1.7 million when the second postwar recession began, during which it climbed to over 3 million, varying between 3.1 million and 3.8 million for 9 months in 1954. Despite the expanding economy of 1955-57, unemployment was not absorbed and the figure for those years remained at 2.8 million or more.

With this backlog we entered the recession of 1958-59, and for the first time in 15 years unemployment in America exceeded 5 million, reaching almost 5.5 million in June of 1958.

During the so-called recovery period of 1959 and 1960 unemployment rarely fell below 3.5 million, and we entered the recession last October with an unemployment rate of 3.6 million. It reached its peak in February at 5.7 million, Mr. Chairman, and in May had declined to 4.8 million.

Thus, if we are to profit at all from the experience of four recessions within approximately 13 years, we must recognize that unemployment will, in all probability, level off at a higher rate in the years immediately ahead than any we have known since World War II. And we must act accordingly.

It is recognized by virtually all authorities in this field that public works projects offer greater employment, both directly and indirectly, than does any other kind of recovery measure on a dollar-for-dollar basis. The evidence submitted in support of this assertion during the hearings on S. 986 has not been controverted even by witnesses who remain unsympathetic to the program set forth by the bill.

However, Mr. Chairman, despite the proven need for more affirmative action to relieve unemployment, and despite the evidence that the pending measure would do this more quickly and with greater impact than would any other use of equivalent sums, S. 986 will face resistance in the Congress and among powerful segments of our population. Therefore, I would now address myself to certain long-range considerations of the pending measure.

First, it is not a wild spending bill, as it will doubtless be assailed by some. It is a capital-investment bill. In this respect, it has always puzzled me how a plant expansion or improvement program undertaken by a private corporation is considered a wise and prudent investment, while an expansion or improvement in the capital investment of public facilities is looked upon as an improvident and reckless scheme that can lead only to national bankruptcy. Yet such a program rests on equally sound principles of long-range planning.

Secondly, this bill draws upon the principles and experience of one of the most successful and respected operations of the New Deal—the PWA, which, under the administration of Secretary Ickes, contributed so greatly to our public wealth in the form of libraries, municipal buildings, and other public facilities. Some persons fail to distinguish properly between the PWA and WPA programs of the 1930's.

Third, S. 986 embodies the economic principle of countercyclical spending which has been applied and repeatedly verified in the United States during the past 30 years—that is, the principle of increasing the investment in public facilities during recession years and curtailing such investment during years of high employment and full production.

Fourth, the measure will implement the development at the local level of a shelf of public works which can be put into effect at the early stages of a recessionary trend and thus soften or inhibit its development.

Finally, S. 986 in no way encroaches upon the authority or responsibilities of State and local governments.

It will still be the responsibility of State and municipal leaders to plan and schedule their own construction programs. Consequently, in the implementation of this bill, as in many other aspects of contemporary operations of government, the community government occupies a significant and vital role.

In this respect, it is important that we maintain a continual watchfulness of Federal-State and Federal-local relationships, in order that the integrity of local and State governments be not undermined. But it is equally important that we look closely at the assumption that every instance of Federal assistance entails a threat to the independence of local bodies. I yield to no one in the importance which I place upon the independence and initiative of local government; I believe this tradition is the source of much of the vitality and flexibility of American democracy.

But this tradition, which is for most of us a viable and meaningful source of value, is in danger of becoming an empty cliché to millions of able and willing workers who foresee little but dwindling opportunities and continued deprivation for their families.

S. 986 would give many hundreds of thousands of men and their families new strength and encouragement, while also assisting State and local governments to fill the increasing backlog of needs in important public works projects. It is my hope, therefore, that this subcommittee and its parent Committee on Labor and Public Welfare will report the pending bill and that the Congress will pass it during this session.

Senator CLARK. Senator Prouty asked me to announce that he, too, had to leave in order to attend a markup session of the Public Works Committee, and to express his apologies to Mr. Meany for not being able to stay.

Will you please proceed, Mr. Meany?

Mr. MEANY. In connection with Mr. Randolph's remarks, I can state, Mr. Chairman, that I can take a committee of this House or Senate to the area of the country where I lived during those days, and I will show you the projects built under WPA and PWA. I was there, and I will show you those projects, and they are still there: enormous swimming pools, facilities for recreation, improvements of every type, that to me never represented boondoggling and never represented waste.

Of course, it is natural that in programs under the stresses of that time that there would be money that could perhaps have been expended more judiciously, but that's part of the waste that goes with war, whether it is a shooting war or whether it is a war against poverty.

But getting back to S. 986, I want to say that we don't look upon this bill or our own additional suggestions as a return to the solutions of the thirties. We believe they're designed for the new problems of the sixties.

But neither are we prepared to join those who were against the solutions of the thirties, and who haven't learned anything since.

We are proud of our support of the PWA, the WPA, the CCC, and the other remedies that saved this country from anarchy almost 30 years ago. And we are proud to advocate new measures—tailored to the new world of the sixties—which represent that same spirit of confidence in America and concern for its people.

Thank you very much.

Senator CLARK. Thank you very much, Mr. Meany, for a forthright and able presentation on this subject.

Senator CASE?

Senator CASE. I have no questions. I do want to thank you for your statement. One thing that has been worrying me—and this is probably our toughest question, domestically, apart from civil rights, that we have to deal with. I am sure I am not going to suggest that this is, in your judgment, the whole remedy that needs to be applied, as far as our economy is concerned.

I wonder if you would have any comment about other measures, because this subcommittee's interest in unemployment is a very deep one. Our chairman has had hearings over several States, including New Jersey.

Senator CLARK. Senator CASE has been with me on many of those hearings, and made a very real contribution to them.

Senator CASE. We have found what seemed to be different reasons for unemployment and economic stagnation in different parts of the country. I am sure that your sponsorship or approval of this legislation doesn't preclude your approval of such matters as the distressed areas bill, the retraining programs.

Mr. MEANY. No, we are very much interested in the retraining programs. We think this is an intelligent approach to some of this.

Senator CASE. One thing that I have been wondering is whether the measure of need for this kind of program, starting and stopping, actually can be fixed by the degree of unemployment, or whether there may be some other tests or signs that might be more quickly apparent that would prevent the unemployment's getting to this stage?

Mr. MEANY. Well, I think, Senator, that this is a very important bill in this area, though I don't think that it goes to the heart of the whole problem. I think what we need is a study—a real study—of our economy, and the changes that are taking place in our economy which, well, some of our economists just ignore. I mean the changes in the character of the work force.

For instance, we constantly hear that there are more people employed this year than there were last year. Well, of course there are; because there are more people than there were, and we are growing at the rate of 2½ percent a year.

The question is, is that enough? But it would be, I think, very important, to find out by a study of this whole problem why it is that actual hours worked in private employment has gone down the last 8 years. The actual hours worked in private employment in this country have gone down over the last 8 years.

Then you take the character of employment. What's happening to it? I mean, the shift is away from manufacturing, from mining and production, into service, and things of that nature. Now what

does that do to the wage structure? Is most of the employment rise to be in the areas where wages and conditions are not as good as they are in the others? All this has some impact on the mass purchasing power of the people, and I think all of these things have to be taken together. This is a problem that we have got to do something about.

Now getting back to what happened in the thirties, I remember vividly the situation we were in in March of 1933, and I remember what happened before that. We had this vicious circle, because people were unemployed, and because they were unemployed and with no purchasing power other people became unemployed, and we were rolling from 3 or 4 up to 10, 12 million unemployed. I recall that quite well. This time that has not happened. These postwar recessions have not had the same effect as the one that hit us in late 1929, because, as an economist for a very prominent bank in the city of New York told the customers of that bank not so long ago, because of the built-in safeguards we now have in our economy. And what were the built-in safeguards? Well, the built-in safeguards are the laws that were enacted by the very much maligned New Deal, creating your Securities and Exchange Commission, for instance. We have Federal deposit insurance. We get a recession now, and no matter how bad it hits the local area, there is no lineup at the bank.

In other words, this thing doesn't get into a condition of hysteria. Then, of course, we have unemployment insurance, which of course comes from the very much maligned New Deal. It provides a certain amount of purchasing power so that even when a person is unemployed, he is not completely out of the market as a purchaser. He goes along for a certain period of time with some semblance of income.

Then, of course, we have the things that are built into our economy by the trade unions, through collective bargaining. The welfare funds, the things that help people out when they are sick, in the hospitalization—things like that.

All of these, now, are built into our economy. Now I think that this particular measure should be built into our economy. It would be a wonderful thing to have a measure like this and never use it; that would be fine; but it should be there, and I don't think the expenditure that is involved is so great, and I have some figures here that I mentioned in my testimony from the U.S. Bureau of the Census, and this shows that there will be more than 40,000 projects in the \$100,000 or less range sponsored by State and local governments that will have reached the end of the planning stage, by the end of next month—by June of this year. More than 40,000 of them will have reached the end of the planning stage, and all of them calling for expenditures of less than \$100,000. And of course, some of them are very small, although they have an estimated construction cost of \$1.270 million.

Now then, of course, there are a great many projects of more costly type that have also reached the end of the planning stage.

Now still in the planning stage, but to be ready to go by December, according to the U.S. Bureau of the Census, there are another 16,300 projects in this \$100,000 or less class, and then, of course, in the \$100,000 to \$1 million class, there are another 6,000, and in the \$1 million or over class, there will be 1,600 projects, all now in the planning stage, in addition to those that are now ready.

Now I would like, Mr. Chairman, to refer back to the talk about a brisk recovery which has arisen in the last week or two because of the release of some improvement figures.

Under the so-called brisk recovery, which means a good, sharp recovery that up to now was not thought possible, our figures show—and our figures are not challenged by any Government or private figures—our figures show that at the end of the year we still will have a 6.2 rate of unemployment, even with this brisk recovery which everyone is hopeful about now.

In other words, the most optimistic present projection would bring us to 6.2 percent.

Senator CASE. By the end of 1961.

Mr. MEANY. Yes, sir.

Senator CLARK. That would be pretty close to 5 million unemployed, wouldn't it?

Mr. MEANY. 4.8.

Senator CLARK. Senator Pell?

Senator PELL. I thank Mr. Meany, also, for his presentation, and agree with him in his enthusiastic support of the bill.

I had one question, and that was what branch of the Federal Government, what agency or department, do you think should be charged with the management of this act, if it passes?

Mr. MEANY. Well, I haven't personally given much thought to that. The home financing organizations, I mean, could perhaps handle a certain phase of this.

Senator PELL. Thank you, sir.

I have nothing further.

Senator CLARK. Thank you very much, Mr. Meany, and let me again express my appreciation to you for coming down a little ahead of time and giving us the benefit of your testimony.

Mr. MEANY. Thank you.

Senator CLARK. At this point I will insert a statement by Senator Carroll, of Colorado, containing letters from mayors of Colorado.

(The statement of Senator Carroll and the letters referred to follow:)

PREPARED STATEMENT OF SENATOR CARROLL OF COLORADO

Mr. Chairman, S. 986, aimed at the reduction of hard-core unemployment by means of accelerating capital expenditure programs of State and local public bodies, is a measure which deserves the careful study of this subcommittee.

I commend the committee for its thoughtful attention to the human hardship and economic waste resulting from technical and cyclical unemployment.

In an attempt to ascertain what the measure might mean to my own State and in order to discover what the mayors of Colorado think of this proposal, I have asked them for their comments. With the consent of the subcommittee, I should like at this point to introduce these useful, thoughtful letters into the hearing record.

CITY OF TRINIDAD,
Trinidad, Colo., April 14, 1961.

HON. JOHN A. CARROLL,
U.S. Senate, Washington, D.C.

DEAR SENATOR CARROLL: Thank you for your letter relative to the bill introduced into the Senate which will be known as the Emergency Employment Acceleration Act.

The following projects would stimulate production and greatly assist in reducing unemployment in this community :

Purgatoire Dam.
Fishers Peak-Carbon Arroyo project.
Federal low-cost housing.

We appreciate your interest and if further information is required, please so advise. We will be anxiously awaiting the results of the study by the committee.

With kindest personal regards, I remain,
Sincerely,

JAMES E. GRIFFIN, *Mayor.*

CITY OF COLORADO SPRINGS, COLO., *April 20, 1961.*

Senator JOHN A. CARROLL,
U.S. Senate, Washington, D.C.

DEAR SENATOR CARROLL: Your letter of April 10 to Mayor William C. Henderson, relative to Senate bill 986 has not been answered to date because of other pressing business and also because it is difficult in such a short time to list projects that could be financed immediately on the basis of Federal grants.

The city of Colorado Springs has already applied to the Federal Aeronautics Authority for assistance for the construction and reconstruction of runways at our Peterson Field Airport. This project is in the amount of \$992,000 total, and would require a local expenditure of some \$462,000. We believe that this project can be financed if Federal moneys are available and could be started almost immediately.

As far as other projects here in Colorado Springs that need to be done and could be assisted materially by Federal grants are as follows:

1. Municipal library. A building adequate to house and provide for the needs in Colorado Springs and surrounding area would undoubtedly cost approximately a million dollars. If Federal funds were appropriated for this project I am not sure as to how the balance could be financed.

2. Municipal highway work. Many of our city streets need to be completely reconstructed. A project in the amount of \$200,000 to \$400,000 could be set up immediately and programed for construction this summer if Federal aid was available.

3. The city of Colorado Springs has just voted a general obligation bond issue in the amount of \$625,000 to construct a new police station and civil defense-operational center. It is expected through civil defense appropriations that the city will be assisted in this project to the extent of approximately \$125,000. This project is scheduled to begin September 1, 1961.

4. In our utilities division we are in the process of constructing a sizable addition to our present electric powerplant, in addition to our sewage treatment plant and several extensions of distribution and storage in our water system. These projects in total are more than \$10 million. The extension to the sewage-plant is being assisted by Federal funds.

I am sorry that this communication has not been transmitted to you on the 15th as requested, and undoubtedly the projects listed would not fit in with the requirements of Senate bill 986. However, I am certain that as time goes on and if this bill is made into law for future appropriation, and it appears that this area needs this type of assistance, we will be in position to cooperate to the fullest extent in using this help.

Yours very truly,

JOHN M. BIERY, *City Manager.*

THE CITY OF ROCKY FORD, COLO.

HON. JOHN A. CARROLL,
*Senator From Colorado,
Washington, D.C.*

DEAR SENATOR: Regarding Senate bill 986 we have the following projects which might qualify:

1. New high school and addition to junior high	\$1, 289, 000
2. New construction and maintenance on bridges	20, 000
3. Storm sewers (new)	7, 000
4. Pave 15 miles of alleys	(?)
5. Recreation facilities	25, 000
6. Park improvements	20, 000

Sorry this came up on such short notice. I had trouble getting my council together. Hope it doesn't arrive too late to suit your purposes. Kindest personal regards,

Sincerely,

KENNETH V. BOLTON.

CITY OF ALAMOSA, COLO., April 13, 1961.

HON. JOHN A. CARROLL,
U.S. Senator, Committee on Interior and Insular Affairs,
Washington, D.C.

DEAR SENATOR: Your letter relative to Senate bill 986 was referred to me. Consequently you will find attached a list of capital improvements that might qualify within the limit of this bill.

If any of the projects listed might be elaborated on further, please advise.

Sincerely yours,

P. E. FLOYD, City Manager.

POSSIBLE PUBLIC WORKS PROJECT, ALAMOSA, COLO.

Major storm sewer system; street improvements—curb, gutter, paving; overlay program, downtown area; soil cement base and asphalt overlay, east-west runway; sanitary and water system extensions; new city jail.

THE CITY OF MONTE VISTA,
April 14, 1961.

HON. JOHN A. CARROLL,
U.S. Senate, Washington, D.C.

DEAR MR. CARROLL: Mayor Rigenbach has asked me to answer your letter of April 10, 1961, concerning Senate bill No. 986, the Emergency Employment Acceleration Act. The city of Monte Vista has several public works projects which are needed very badly. I will list the projects in the order of their importance to the city with the engineering status and amount of money estimated to complete the project.

1. 3,500 feet sanitary sewer main, 18-inch vitrified clay pipe at \$5 per foot, engineering complete.....	\$17,500
2. Drill deep artesian well to increase city water supply.....	21,000
3. Improving and remodeling city fair and stampede grounds, plans complete.....	25,000
4. Storm drain installation, city streets, engineering complete.....	55,000
5. Ditch moving and drainage project, to remove surface water and provide residential building sites inside city limits, engineering study made.....	18,000
6. Paving of city streets, plans complete.....	25,000
7. Addition to city-owned hospital building.....	125,000
8. Construction of city jail facilities.....	25,000

Any one of these projects could be initiated immediately and would help to reduce unemployment. If the hourly wage of those employed on projects such as these can be kept in line with the prevailing wage scale in our communities the program would be very valuable to us in relieving our unemployment and welfare problems. I hope that you will oppose a higher wage scale or the necessity of meeting union wages as this would only tend to aggravate the labor situation.

Sincerely yours,

RONALD ISKE, City Manager.

ROCKY FORD SCHOOL DISTRICT No. R. 2
Rocky Ford, Colo., April 13, 1961.

HON. JOHN A. CARROLL,
Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR CARROLL: Your letter of April 10, 1961, to Mayor Kenneth V. Bolton concerning S. 986 was called to my attention. Since this bill could concern our school district, I want to pass on the following information.

We plan on a bond issue on May 29, 1961, for the construction of a new high school building and an addition to our junior high. Proposed figures are; high school, \$1,090,000; junior high addition, \$195,000. Completion date for the high school academic area, January 1963, and complete building, September 1963. The junior high completion date is September 1962. Needless to say we will watch the course of this bill with interest.

Sincerely,

JOHN H. WATSON, *Superintendent.*

CRAIG, COLO., *April 13, 1961.*

Senator JOHN A. CARROLL,
Senate Office Building, Washington, D.C.

DEAR SENATOR: I have your letter concerning Senate bill 986, Federal grants to municipalities for additional works and facilities.

We have some needed additions to our water system that we are considering, but it is doubtful that any immediate start could be made on them, since the engineering has not been contracted.

I must say that my private feelings concerning this bill are that local governments should certainly finance their own facilities of the type mentioned in the bill. It is not reasonable to spread the cost of facilities of a purely local nature into the general budget, since the benefits are of a local nature and should not be a tax burden on the national populace. Indications are that the economy is recovering, and bootstrap pulling of this type, with the prospects of further large deficits in the next 2 years, is ridiculous.

May I entreat your stanch resistance to legislation of this kind. I am absolutely sure that the people in our State, in great majority, are behind any efforts you may make in seeing that our financial structure is not further imperiled by needless spending of this purely political type.

Sincerely,

HUGH A. JONES, *Mayor of Craig.*

CORTEZ, COLO., *April 13, 1961.*

Senator JOHN A. CARROLL,
U.S. Senate, Washington, D.C.:

The city of Cortez may undertake sewer or water line extensions as public works projects in the ensuing year.

CITY OF CORTEZ,
PAUL H. MARSELL, *Mayor.*

CITY OF GRAND JUNCTION, COLO., *April 26, 1961.*

Senator JOHN A. CARROLL,
U.S. Senate, Washington, D.C.

DEAR SENATOR CARROLL: This is in reply to your letter of April 10 requesting data from Grand Junction which might assist you in your consideration of S. 986 called the Emergency Employment Acceleration Act. I am sorry that it was impossible to comply with your request by April 15 but I am sure you are by now aware that the information you request has been presented personally by Governor McNichols on a recent visit to Washington.

The American Municipal Association has likewise asked for a similar survey which the Municipal League in Colorado is preparing. This data, in turn, will be grouped together with the same information from other States and presented for your consideration by the AMA. I understand the AMA survey will be available to you during the first part of May.

We sincerely appreciate your efforts in trying to make a soundly based decision on this legislation. I am sure you will find that all cities have a backlog of capital improvements which they would gladly undertake if practical financial assistance is forthcoming.

May I suggest that your future contacts with the City of Grand Junction be addressed simply to the President of the Grand Junction City Council rather than to any individual by name. The title of "President of the Council" or "Mayor" is usually passed around annually here and therefore will make it most difficult for your mailing list to be correct.

Respectfully,

JOE M. LACY, *City Manager.*

CITY OF PUEBLO, COLO., *May 2, 1961.*

Hon. JOHN A. CARROLL,
U.S. Senate, Washington, D.C.

DEAR SENATOR CARROLL: Thank you for your answer to my letter concerning S. 986. It appears that the city of Pueblo would not qualify for any grants in said bill due to the fact that we are not classified as a distressed area. The particular project that we had in mind was to construct a storm sewer project in southwest Pueblo which would cost in the neighborhood of \$2.8 million. The city of Pueblo has no other public works projects in mind at the present time that could be initiated immediately to reduce unemployment or stimulate production.

I appreciate your assistance in this matter and am sorry that I cannot furnish you a longer list of projects.

Sincerely,

GEORGE H. FELLOWS, *City Manager.*

GREELEY, COLO., *April 15, 1961.*

JOHN A. CARROLL,
U.S. Senate, Capitol Building, Washington, D.C.:

Regarding S. 986 projects that could start in 60 days sewerage treatment plant, \$800,000; water storage and transmission, \$750,000.

GORDON K. RISSLER.

CITY OF MONTROSE, COLO., *April 24, 1961.*

Hon. JOHN A. CARROLL,
U.S. Senate, Washington, D.C.

DEAR SIR: Attached are copies of reports recently submitted by the city of Montrose to Governor McNichols earlier this year. President Kennedy had at that time requested information on governmental projects which would aid in strengthening "the Colorado and national economy." They are submitted to you in answer to your letter of April 10, 1961.

It should be noted that the cost estimates contained in these reports are for completed projects—ones which would need to be staged over several years if only local funds were to be used. Each of the project areas would be of great material benefit to the general welfare of the people of our community. With the beginning of the Curecanti project, and anticipating the subsequent commencement of the participating Bostwick Park and Dallas Creek projects, each within a service radius of under 25 miles from Montrose, the city of Montrose is going to be sorely pressed to keep up with the municipal services necessary to adequately serve the anticipated growth from these projects. Assistance as projected in S. 986 would greatly assist the city in keeping up with these service needs and at the same time making the capital improvements necessary to keep the city abreast with the potential growth.

Of all of these projects, the ones for improving our water system is considered the one of immediate necessity to the city. We are presently attempting to determine what portion of the improvement program should be undertaken with the \$270,000 we have available. We should undertake at least \$365,000 of work at this time to adequately prepare our system for future growth. We are thinking of undertaking the major elements of this program now, and doing additional parts of it as we can during the next 8 to 10 years. Again, assistance to do the first phase of \$365,000 would greatly help us in our being able to adequately cope with future growth. All of this first phase could be placed into construction within 120 days of the 1st of May; some phases of it within the next 60 days as it all is engineered to a point that only working drawings would be all that would be necessary.

In connection with raw water supply and the total needs of the entire Uncompahgre Valley from Ridgway to Delta, a move-up feasibility report and subsequent appropriation for the Dallas Creek project would greatly improve the economic conditions in the valley, both for employment and development to meet the needs of the future. Preliminary discussions are being undertaken in regard to forming a domestic water conservancy district for the valley utilizing the Dallas Creek project as a source.

The street construction program is of next importance to the general welfare of the community. Being an agrarian community, there never has developed sufficient economy in the area to support a townwide street improvement program. This is a program that probably should be kept a local program, but, again, the anticipated growth during the next 8 to 10 years has the potential of creating a difficult financial picture for the city, which will probably result in the city not being able to adequately serve its present citizenry as well as our future citizens.

In closing, I wish to thank you for your interest in our behalf. I hope the information I have sent you here is what you need for discussing this bill.

Sincerely,

MORAL GATSCHET, *Mayor*,
By DONALD R. WAGECK, *City Manager*.

Senator CLARK. Our next witness is Congressman Henry Reuss, of Wisconsin. Congressman Reuss is a member of the Joint Economic Committee, which I happen to note has in fact endorsed this bill, S. 986, in its annual report. We know of your keen interest and deep understanding of these matters we discuss, Congressman Reuss, and we are happy to have you. Please proceed in your own way.

STATEMENT OF HON. HENRY S. REUSS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. REUSS. Thank you, Mr. Chairman, and members of the subcommittee. I appreciate the opportunity to appear before you as an interested Member of the other body and as a member of the House Committee on Banking and Currency. The House committee has now before it bills introduced by me and by Representative Blatnik, of Minnesota, which are similar to S. 986. Moreover as a member of the Joint Economic Committee, I should like to remind you of the conclusions of that committee on the need for more public works.

I have a prepared statement, Mr. Chairman, and with your permission, I would like to submit that statement, and then proceed briefly to summarize.

Senator CLARK. Without objection, the Congressman's statement will appear in full in the record at this point. Will you please hit the highlights, Congressman?

(Mr. Reuss' full statement follows:)

PREPARED STATEMENT BY REPRESENTATIVE HENRY S. REUSS, OF WISCONSIN

Mr. Chairman, I appreciate the opportunity to support S. 986. The bill aims to reduce unemployment, the most important domestic economic problem facing the United States today. The bill has the added advantage of yielding a valuable dividend in an added volume of much-needed local improvements which would be stimulated by the incentives offered by the bill. Representative Blatnik (Minnesota) and I have introduced similar bills in the House (H.R. 6542 and H.R. 6543).

THE PRESENT LEVEL OF UNEMPLOYMENT

As of mid-April 1961, 5 million people were officially recorded as unemployed, 1.3 million more than a year ago. The seasonally adjusted rate of unemployment is now nearly 7 percent, a rate of unemployment which has persisted without significant change for 5 consecutive months. In addition to those who are totally unemployed, about 3 million workers are on part-time work, largely because full-time jobs are not available. Among the unemployed, 40 percent have been out of work for 15 weeks or longer, and some 900,000 have been without jobs for more than half a year. In addition to those who are officially recorded as unemployed, there are undoubtedly hundreds of thousands, or perhaps millions, who are not looking for work and, therefore, are not counted as

unemployed, although they would undoubtedly work if opportunities were available.

The last area survey of unemployment showed that in April 1961, 101 out of the 150 major labor areas were areas of substantial labor surplus. Of the remaining 49 major areas, all had at least a moderate labor surplus. The April survey also showed that there was a sharp increase in unemployment among the smaller labor market areas, with 199 classified as having a substantial labor surplus, compared to 184 in March.

The overall figures on unemployment conceal the heavy impact felt by important basic sectors of the economy. While over the country as a whole, 1 out of 14 people is officially recorded as totally unemployed, in durable goods manufacturing, 1 out of every 10 workers is out of a job; in the steel and primary metals industries, 1 out of 7 is unemployed; in automobiles, 1 out of 6 is unemployed; and in construction, 1 out of 5 is unemployed. These are rates of unemployment which, with the exception of the worst periods of the 1958 recession, are record postwar highs.

THE ANALYSIS AND RECOMMENDATIONS OF THE JOINT ECONOMIC COMMITTEE

The Joint Economic Committee, of which I am a member, takes a very grave view of the present high level of unemployment. But it is even more concerned with the lack of prospects for any substantial reduction in this level in a reasonably short period. In its report to the Congress issued on May 2, 1961, the committee cites the testimony of numerous Government and non-Government experts who testified on the economic outlook for the next 12 to 18 months. The committee points out that of all the expert witnesses which it heard, the most optimistic expected that by the end of 1961, 6 to 7 percent of the labor force will still be unemployed, and, moreover, that unemployment will not be reduced to as low as 4 percent by the end of 1962. These expectations are based on the assumption that the administration's legislative program would be promptly enacted, and that there will be a continued substantial increase in expenditures by State and local governments.

The Joint Economic Committee takes as its premise the belief that the 1960-61 recession has reached a turning point, and that a moderate rise in production can be expected throughout the remainder of the year. But it emphasizes that the expected increase in output will hardly do more than provide jobs for the normal growth in the labor force. In other words, while the economy is expected to run faster, it will run only fast enough to stand still. This will occur because not only will more people enter the labor force, but hours of work and productivity will also increase as is normal during a recovery period. For example, the official Budget Bureau estimates of tax revenues for fiscal 1962 assume that the increase in real gross national product during calendar 1961 will amount to only 2 or 3 percent above the 1960 GNP. It is doubtful whether such a rise would even be enough to hold unemployment at the present level, much less to reduce it. Only a very large and sustained rise in output this year could reduce the present rate of unemployment, and in addition, offset increases in the labor force, in hours of work, and in productivity.

The Joint Economic Report goes on to say that even if we assume (without good basis) that in 1962 there will be a further increase in production of 7 to 8 percent (the maximum rate at which real output has increased during any postwar recovery period), the total increase in output in 1961-62 would not be sufficient to reduce unemployment to as low as 4 percent of the labor force.

Since the Joint Economic Committee issued its report, there have been a growing number of indications that we have indeed started on the road back to recovery. There are those who have seized upon these signs as a reason for casting doubts on the analysis of the many experts whom the committee heard, as well as that of the committee itself. Some are contending that a sharp recovery may be in the making, and that no new anti-recession measures are necessary. But others warn that however much we should welcome optimistic signs on the business horizon, there is little basis for counting on more than a gradual swing out of the recession trough in which we have been. The Commerce Department Business Advisory Council, for example, believes that even though there was a sharp April rise in the Federal Reserve Board index of industrial production, economic recovery will be slow. Whether recovery is rapid or slow, no one suggests that the rate of unemployment can be reduced to a tolerable level in a period as short as a year.

The Joint Economic Committee commends the administration for speeding up expenditures on programs for which obligational authority was already available, for taking action to reduce interest rates, particularly in the important field of housing, and for recommending a variety of new programs important in themselves as well as for their impact on the economy. Chief among these are the extension of unemployment compensation, urban renewal, aid to depressed areas, aid to education, a new health program, social security liberalization, and programs for conservation and development of natural resources. But the committee goes on to say:

"At the same time, however, we cannot help noting that the total effects of all the actions so far taken and proposed will be small as compared to the gap between the Nation's expected economic performance and its economic potential."

In other words, the committee does not agree that we must be content with the promise of a recovery which will leave 6 to 7 percent of our people unemployed at the end of this year, and more than 4 percent at the end of 1962. This reservoir of men and women able and willing to work and our under-utilized production facilities constitute the economic potential that we should not be wasting. At all times there is an incalculable social cost which results from the idleness of able-bodied people. But the economic waste is one which we can ill afford at this time of expanding responsibilities both at home and abroad. The committee warns that what we failed to do last year and the year before is reflected in the very large and stubborn problems confronting us this year. And if we fail to take steps forward this year, we shall have still larger and more stubborn problems next year.

The Joint Economic Committee therefore recommends that legislation be enacted: "To provide, for a limited time, for Federal grants on a matching basis to local communities (other than those with no serious unemployment problem) for immediately needed improvements—such as police stations, fire stations, streets, parks, water and sewerage systems. The program should be confined to projects that can be started quickly, say within 90 days, and finished quickly, say within 12 months. Such a program would help reduce unemployment and spur local public improvements needed now but postponed, or slowed, because of limitations on local financial resources."

THE NEED FOR LOCAL CAPITAL IMPROVEMENTS

While the essential purpose of S. 986 is to put idle men back to work, it will also help States and cities to meet the steadily rising needs for public construction, improvements, and maintenance. Expenditures of Federal funds for this purpose are particularly rewarding. It is widely recognized that a nation cannot sustain growth if it fails to maintain, improve, and increase its stock of private production facilities.

It is not so generally acknowledged that this is equally true of the large class of facilities which, in our society, we expect States and local governmental bodies to provide. I refer to the immense area of community facilities—highways, streets, transit systems, water and sewerage systems, hospitals, libraries, police and fire protection facilities, parks and recreational facilities, public office buildings, and other similar types of public capital. Deterioration and shortages in this area can as surely impede economic growth as the failure to invest adequately in private production facilities.

There is a large and rising discrepancy between the needs for community facilities and the amount which States and local governmental units have been able to build, even with some assistance from a variety of existing Federal programs. In a study made by Gen. John S. Bragdon, special assistant to the President in the last administration, it was estimated that accumulated backlogs of needs and replacement of existing facilities alone would require an investment of nearly \$160 billion over a 10-year period, 1955–65. Provision for necessary expansion brought the total requirements for the decade to over \$200 billion. To fulfill this estimate of need, States and local governments, with the assistance of the Federal Government, would have had to spend about \$20 billion annually each year for 10 years.

Actual expenditures have fallen far short of this figure. In the 7-year period, 1954–60 inclusive, States, cities, townships, school districts, and regional authorities managed to put in place an average of about \$10.5 billion per year in new construction, of which an average of \$1.5 billion was contributed by the Federal Government under various programs. During the calendar year 1960, State and local construction plus federally aided construction attained the rec-

ord level of \$12.5 billion, but it did not make much of a dent on the mountain of requirements as set forth by General Bragdon.

The Community Facilities Act of 1959 authorized the Community Facilities Administration, in cooperation with the Census Bureau, to make a comprehensive survey of State and local projects planned for the 18-month period, July 1960 to December 1961. The survey shows that States and local governments now have \$8.5 billion of projects ready to go, highly desirable and needed, but which cannot be built because the money is just not available.

There is no question, therefore, that there exists not only a huge backlog of needs for public facilities but also a large inventory of "shelf" projects, already planned in at least a preliminary way. Of the 18,833 projects comprising the \$8.5 billion, nearly half are estimated to cost less than \$100,000 per project while most of the remainder are estimated to cost between \$100,000 and \$1 million. These are projects which can be started fast and finished quickly.

As a specific illustration, I call your attention to the following list of public works projects, totaling more than \$35 million, which are planned by the city of Milwaukee. These projects are ready for prompt construction, but financial help is needed if they are to proceed:

Emergency public works program for the city of Milwaukee

	Year presently programed	Estimated cost
FIRE DEPARTMENT		
New fire station, North 50th Street and West Flebrantz.....	1962	\$155,000
Remodel fire station, North 40th Street and West Hopkins.....	1965	25,000
HARBOR COMMISSION		
Three gantry cranes.....	1961-63	525,000
New drainage system for south harbor, raise tracks, etc.....	1962-66	175,000
HEALTH DEPARTMENT		
Rehabilitation of South View Hospital.....	1962	245,000
LIBRARY BOARD		
Future branch libraries.....	1961-67	1,000,000
POLICE DEPARTMENT		
New police station, North 69th Street and West Silver Spring.....	1963	200,000
CIVIC CENTER		
Underground parking and central plaza improvements.....	1962-66	3,500,000
BUREAU OF BRIDGES AND PUBLIC BUILDINGS		
Remodeling in city hall.....	1962-63	460,000
Rebuild dock at Traser Street Yard.....	1963	40,000
Conversion of four bridges to one-house electrical operation.....	1961-64	280,000
East Clybourn Street Bridge over Milwaukee River.....	1963	1,400,000
Bridges over the Kinnickinnic River:		
South 29th Street at West Manitoba Avenue.....	1961	100,000
South 35th Street at West Manitoba Ave.....	1961	120,000
East Layton Avenue, west of South Howell Avenue.....	1961	120,000
South 5th Street, north of West Layton Avenue.....	1962	100,000
South Howell Avenue, south of East Layton Avenue.....	1963	200,000
West Bolivar Avenue, east of South 13th Street.....	1965	200,000
Bridges over the Lincoln Creek:		
West Stark Street, west of North 63d Street.....	1963	75,000
West Hampton Avenue, east of North 32d Street.....	1961	150,000
West Cameron Avenue, west of North 30th Street.....	1961	100,000
West Ohio Avenue, west of South 70th Street (foot bridge).....	1963	6,000
West Burleigh Street Bridge over Menomonee River.....	1964	200,000
North 100th Street Bridge over a branch of the Menomonee River at West Grantosa Drive.....	1965	50,000

Emergency public works program for the city of Milwaukee—Continued

	Year presently programed	Estimated cost
BUREAU OF ENGINEERS		
Grade separations:		
West Howard Ave. over Chicago, Milwaukee, St. Paul & Pacific RR. near South 13th St.....	1962	\$910,000
North Sherman Blvd. crossing with Chicago & North Western Ry. south of West Mill Rd.....	1962	700,000
South Clement Ave. crossing with Chicago & North Western Ry. near East Holt Ave.....	1963	750,000
South Pine Ave. crossing with Chicago & North Western Ry. near East Holt Ave.....	1963	400,000
Street paving:		
Type of construction:	<i>Mileage</i>	
State and/or Federal aid.....	5.38	1962-66 861,300
Asphalt surface over track zone.....	3.52	1962-66 232,800
Arterial improvements.....	4.27	1962-66 902,400
Viaduct improvements (asphalt resurface).....	1.13	1962-66 106,000
Permanent pavement over crushed stone roadways.....	8.41	1962-66 894,200
Asphalt resurface over existing concrete pavements.....	1.0	1962-66 82,800
Sewer construction:		
North 30th St., relief sewer.....	1962-66	5,000,000
North 45th St. and West Clarke St., relief.....	1962-66	100,000
North 27th St., combined sewer repair.....	1962-66	400,000
East Edgewood Ave. and North Oakland Ave., relief.....	1962-66	250,000
West Mineral St., relief.....	1962-66	500,000
West Center St. and North 76th St., storm.....	1962-66	300,000
South 26th St. and West Mineral St., relief.....	1962-66	300,000
East Keefe Ave., west of North Humboldt Ave., relief.....	1962-66	500,000
East Auer Ave., west of North Humboldt Ave., relief.....	1962-66	300,000
North 76th St. from West Locust St. to West Burleigh St., sanitary relief. South 6th St., West Holt Ave. to West Morgan Ave., and West Morgan Ave. from South 6th St. to South 8th, storm.....	1962-66	200,000
West Washington Blvd. and North 50th St., relief.....	1962-66	200,000
East Linnwood Ave., relief.....	1962-66	500,000
West Silver Spring Dr. and North 80th St., storm.....	1962-66	800,000
Brown Estate Creek, storm sewer.....	1962-66	300,000
South 12th St. and West Greenfield Ave., relief.....	1962-66	200,000
West Greenfield Ave. and South 27th St., relief.....	1962-66	200,000
West Becher St., relief.....	1962-66	200,000
West Stevenson St. and South 70th St., sanitary relief.....	1962-66	300,000
West and East Capitol Dr., storm relief (grade separation).....	1962-66	300,000
South 22d St. and West Bolivar Ave. storm water channel.....	1962-66	100,000
South 6th St. from West Lincoln Ave. to West Becher St., relief.....	1962-66	90,000
South 11th St. and West Layton Ave., storm.....	1962-66	130,000
West Green Tree Rd. from North 51st St. to North 60th St., major storm and sanitary.....	1962-66	270,000
West Congress St. and North 100th St., storm.....	1962-66	150,000
Menomonee River Hills, storm channel.....	1962-66	100,000
Menomonee River Hills East, storm channel.....	1962-66	75,000
South 17th St. and West Ramsey Ave., storm channel.....	1962-66	75,000
BUREAU OF FORESTRY		
Concealed lawn irrigation and boulevard plantings.....	1962	100,000
BUREAU OF MUNICIPAL EQUIPMENT		
Concrete drives and service area at Lincoln Ave. garage.....	1962	100,000
BUREAU OF STREET AND SEWER MAINTENANCE		
New maintenance yard, shelter houses, mixing plant and sewer yard, north- west side.....	1962	550,000
BUREAU OF TRAFFIC ENGINEERING AND ELECTRICAL SERVICES		
Central fire alarm headquarters.....	1962-63	2,300,000
Permanent street lighting, traffic control, fire, and police alarm facilities.....	1962	2,452,000
Transformer substations.....	1962-66	700,000
Playgrounds and playfields.....	1962-66	2,000,000
Total estimated cost.....		35,407,500

IMPORTANT FEATURES OF S. 986

1. S. 986 provides incentives, through Federal grants, to States and local governments to accelerate capital expenditures on projects which can be begun quickly and completed over a reasonably short period. The President may contract for \$500 million in grants to States and other local governmental bodies, with the Federal share of any project limited to 45 percent of the cost. The President may, after consultation with the Council of Economic Advisers, increase the amount up to a maximum of an additional \$500 million, if he determines it necessary in order to fully accomplish the objectives of the bill.

At this point, I should like to mention the two principal differences between S. 986 and the House bills, H.R. 6542 and H.R. 6543. The House bills provide for an initial grant authority of \$1 billion with the Federal share limited to one-third of the cost of any project. In our judgment, the magnitude and probable duration of the unemployment problem fully justifies a larger program than that proposed by S. 986. The House bills also limit the Federal share to one-third of the total cost, in view of the success of similar ratios in the Hill-Burton hospital construction and the water pollution control programs. Where a lower ratio of Federal aid is sufficient, there is the advantage of greater leverage in setting the Federal portion of a matching program relatively low. Thus, under the House bill the expenditure of \$1 billion in Federal funds means a matching expenditure by States and communities of \$2 billion, or a total boost to construction activity of \$3 billion. If the additional \$500 million is spent under the House formula, another \$1.5 billion of expenditures would result. In view of the huge slack in the economy, I believe that the \$4½ billion added expenditure which this program would stimulate is in the order of magnitude required to give a meaningful boost to employment and construction activity. In your deliberations on S. 986, I hope that you will take account of these considerations which have led to differences between S. 986 and the House bills.

I should like to emphasize the importance of grants rather than loans as a means of accelerating additional capital expenditures by States and local communities. Because of the traditional differences in interest rates which States and municipalities pay and those which the Federal Government must pay, States and municipalities can usually borrow from the general capital market at rates lower than those frequently stipulated in Federal loan programs. If Federal aid took the form merely of offering another source of loan funds, it is doubtful whether sufficient incentive would be given to States and local communities to engage upon additional capital construction. If a substantial proportion of the project cost can be received in the form of a grant from the Federal Government, I have no doubt that many small projects throughout the country could be financed quickly, started quickly, and thus help to reduce unemployment quickly.

2. S. 986 places the maximum impact of additional expenditures, both Federal and local, in the period of high unemployment. Authority to make grants ceases when the national seasonally adjusted rate of unemployment falls to 4 percent of the civilian labor force. The President is directed to give preference to projects which can be started within 90 days and completed within 12 months after construction has begun. These two provisions answer the principal objection often made against antirecessionary public works programs, namely, that they start too slowly and may have maximum impact when shortages in men and materials begin to appear. Since we cannot now anticipate a reduction in unemployment to 4 percent before the end of 1962, I believe that, with the safeguards in this bill, we can be certain that the bulk of these expenditures will be made in the period in which they are most needed.

3. S. 986 increases the total volume of construction, and does not merely cause Federal money to be substituted for funds that would otherwise be provided locally. It specifies that no grant shall be made for a project unless it results in a net increase in the current annual level of capital expenditures of the public body. Nor may grants be made if a grant or a commitment for a grant has been made with respect to a project under any other act of Congress.

4. S. 986 is not a depressed areas bill. Such communities are of course included, but the bill aims mainly to assist in reducing unemployment throughout the country, or to prevent its increase in communities so that they do not become depressed areas.

It is far preferable to put people to work building badly needed public structures, to improve roads and streets, and to add all the various kinds of community facilities for which needs are outrunning construction today, than to spend the same amount of money in unemployment compensation or public assistance.

Mr. Chairman, we need to reduce dramatically the number of our unemployed. Our economy needs to grow faster. Our hard-pressed communities need some help to take part of the burden from the back of the local property taxpayer.

S. 986 will assist in all these objectives, and I urge its speedy and favorable consideration by this subcommittee.

Mr. REUSS. The main objective of S. 986 is to grapple with the persistent problem of unemployment. The statistics, while offering some ray of hope, are still very gloomy. Five million people were reported as unemployed at the middle of April; that's 1,300,000 more than a year ago. The present percentage figure of about 7 percent has hovered at that level for the last 5 months. And if you add in the 3 million workers on part-time work, the problem is of even larger dimensions.

If we look at the problem in terms of areas the problem is equally alarming. Of the 150 major labor areas in the country, 101 are now areas of substantial labor surplus, and the remaining 49 areas are areas of at least moderate labor surplus.

Although unemployment is general, it hits certain industries with particular impact. Whereas an average of 1 out of 14 people is unemployed in the Nation as a whole, in durable goods, it is 1 out of 10; in steel, it is 1 out of 7; in automobiles, 1 out of 6; and in construction, 1 out of 5. The 20-percent unemployment rate is of particular significance since the bill we are considering is a bill which would put men to work directly in the construction industry.

Mr. REUSS. The figure is as of mid-April, when there had been some measure of economic recovery.

The Joint Economic Committee devoted a large part of its 130-page report to the problem of unemployment. Of all the experts which the Joint Economic Committee heard, the most optimistic said that, by the end of this year, we are still going to have a rate of 6 to 7 percent unemployment. Moreover, the most optimistic couldn't envisage a reduction of unemployment to 4 percent before the end, not of this year, but of next year, 1962.

Senator CLARK. Congressman, I wonder if you share my view that 4 percent is too high, and we really shouldn't accept 4 percent of the labor force as unemployed as an acceptable figure? I think we ought to drop it to at least 3 percent.

Mr. REUSS. I do entirely share the chairman's view. In fact, the Joint Economic Committee in its major report 15 months ago on employment, growth, and price levels felt that 3 percent was the figure we should shoot at. The 4 percent appeared on the scene with the testimony of Chairman Walter Heller of the President's Council of Economic Advisers this year.

However, in fairness to Mr. Heller, I should point out that he's talking about a level that he would like immediately to attain. I think that you and I would be very happy if we could achieve a 4-percent level without delay. We could then go on to work on the remaining 1 percent and thus reduce a tolerable level of unemployment to a level more appropriate as a national goal.

Senator CLARK. My recollection of Mr. Heller's testimony was that, while he did mention 4 percent, he indicated his own view that that was not the ideal figure. This bill would trigger out the public works programs, if we got down to 4 percent. I did that out of excess of conservatism. My cosponsors felt the same way, feeling that, as a practical matter of getting the legislation through the Congress, it would be wiser to take the higher figure, but I am not in accord with it at all; in fact, I would like to give serious thought to dropping it to 3 percent.

Mr. REUSS. I would agree with the selection of 4 percent as the figure which should trigger the cessation of an emergency public works program. On the other hand, I heartily concur that a program which aims for a 3-percent level of unemployment could not be inflationary and that we should direct our policies toward such a reduction of unemployment.

Recently, I returned from a study trip to nearly all of the countries of Western Europe. In country after country, I was told that an unemployment rate of more than 1 or 2 percent would be regarded as intolerable and, if unemployment were to continue above these low ratios, governments would fall. I would, therefore, agree with the chairman that 3 percent is a reasonable goal of U.S. policy.

Senator CLARK. I think that's a point worth stressing. There are certain people who were opposed to this kind of a program, who try to wriggle out of the foreign experience on the grounds that statistics are not comparable, but the best efforts I have been able to make to get at the truth of that satisfy me that while the statistics may not be entirely comparable, they are comparable enough, so that the statement can be made that the United States of America is the only country in the civilized world which tolerates a rate of unemployment as high as ours not only presently is now but has been over the last 5 or 6 years; and that perhaps we have a good deal to learn from our sister democracies abroad in terms of economic well-being and how to hold down unemployment.

Mr. REUSS. Yes; for example, France, a country whose economy is sometimes sniffed at by American economists, now has in the entire length and breadth of that country 37,000 unemployed. They are now trying to work this figure down even though it is a fraction of 1 percent. I suggest that we could do worse than try to make this a model for our own full employment policy.

Senator CLARK. Another point I would like to get your reaction to: I think we sometimes in the interest of building up more support tend to make statements a little bit more conservative than we actually feel. I don't have any feeling—perhaps you do—that there is something necessarily bad about public works in a time of prosperity. It has seemed to me that for at least 10 years, we have been starving the public sector of our economy, while the private sector of our economy has, with some ups and downs, moved along pretty well. I think even in times of full employment there is a very great need for public works to remedy deficiencies in the public sector of our economy.

Of course, we have got to watch inflation. I will agree with that. It doesn't necessarily follow that because we get somewhere near full employment we should stop going ahead with needed public works.

I wonder if you would comment on that?

Mr. REUSS. Before I comment on the Chair's question, I would like to define terms a bit. "Public works" is rather a catchall term. I am not for public works which are dreamed up just to spend money, or even just to put men back to work. I know that the Chair shares my view, that public works that provide useful things for our people is a rewarding way to spend public funds. The tragedy is that in our cities throughout the country and in smaller communities, requirements for ordinary things that everyone ought to have—the fire stations, the police stations, street repair, water systems bringing drinking water to people, and sewage systems needed to carry away their wastes are outrunning current construction.

Senator CLARK. Fireproof schools.

Mr. REUSS. Fireproof schools, the beginnings of park and recreational systems, bandstands so that people might hear a little good music in the summer—all of these things are on the drawing boards of all our cities, but are scheduled for 1970 or the sweet by-and-by.

There are millions of people who want to enjoy the ordinary amenities of urban life and suburban life and exurban life in this decade. Quite apart from the unemployment problem, there is a great need to get on with the job of building these ordinary and necessary civic improvements. We are not speaking of leaf-raking nor boondoggles of any kind. We are talking about the things that every city ought to have and ought not to be asked to postpone further, but which can't be built now. Local authorities today rely mainly on the archaic property tax, whose heaviest incidence is on the homeowners. The homeowner is quite justifiably shouting because the burden is greater than he can bear. We are, therefore, in a dilemma in our cities. If we tax our homeowner any more, we won't have any more homeowners; they will pick up and leave town.

Senator CLARK. The Congressman raises a very interesting question. Coming from Milwaukee, he is, of course, thoroughly familiar with the needs of that large and important city. I have some familiarity with the problems of Pennsylvania, and I know Senator Case and Senator Pell are keenly aware of their urban problems in New Jersey and in Rhode Island. But it is a fact that in my State, and I suspect in these other three States, too, there are badly needed public improvements to raise the general urban level of civilization which just can't be financed now because of the straitjacket in which our cities' tax systems have fallen, and the inability—not really the unwillingness, but really the inability—of many of the State governments to move in and give that assistance, because they too are circumscribed as to their tax sources.

Mr. REUSS. Yes, I present a very detailed case history of one American city, my own hometown of Milwaukee, Wis., in my testimony. It shows that there are \$35 million worth of vital necessary public improvements all set and ready to go, completely planned and engineered, but which can't be programed, in many cases until 1966. I am not referring to vague hopes for large-scale construction activity. There are no planetariums here nor any art museums, unfortunately. There are things like fire houses, a health department, a police station, bridges over the river, grade separations, where railroad tracks cross the streets, street paving, sewer construction, traffic engineering, stop-and-go lights—all the things that are com-

monplace stuff in municipal life, but which are not now able to be appreciated because Milwaukee, like every other municipality in the country, has reached, if not the limit of what it can tax its local property owners, something like it.

Senator CASE. Mr. Chairman, I wonder if I could ask at that point? This bill provides—I think necessarily and properly—for the Federal Government to pay a part of the cost of these projects. If the city is strapped, is this going to be possible for the city to take advantage of this, when it has to pay half or two-thirds of the cost? Will it be any easier to pay a smaller amount? What is your opinion?

Mr. REUSS. Yes, a very good question. I think the answer is that the 45 percent Federal consideration envisaged in S. 986 or the 33 $\frac{1}{3}$ percent Federal consideration envisaged in our House version of this bill will be able to generate a great amount of municipal building, which wouldn't otherwise be built in the next year or two. That is so, because they can stretch a dollar, under this bill, to practically \$2. In many cases, where municipal borrowing power is not fully availed of—and despite some stringency, this is still true of most municipalities—they would be able to further accelerate their programs, by borrowing more than they otherwise intended to borrow. But even borrowing aside, the granting of a Federal dollar for practically every dollar they put in themselves makes them able to do that much more.

Senator CLARK. May I say to my colleague from New Jersey that we expect to call shortly representatives of municipal associations whom we have asked to give us detailed blueprints of particular projects that particular cities and communities have said they would put underway if this bill was made available.

Senator CASE. Thank you, Mr. Chairman. To our colleague from the House, since I have interrupted, may I express my regret that our Education Subcommittee is now meeting to mark up amendments to the National Defense Education Act, and I feel that, having had the benefit of this much of your testimony, I now really must go upstairs.

Senator CLARK. The chairman also has to leave presently for this same meeting, Congressman, but if you will, please, go ahead.

Mr. REUSS. I call the subcommittee's attention particularly to the Joint Economic Committee's recommendation contained in of my testimony, which recommends, in the clearest possible terms, that legislation be enacted to provide for a limited time for Federal grants on a matching basis to local communities, other than those with no serious unemployment problem, for immediately needed improvements, such as police stations, fire stations, streets, parks, water, and sewage systems. The program should be confined to projects that could be started quickly, say, within 90 days, and finished quickly, say, within 12 months. Such a program would help reduce unemployment and spur local public improvements needed now but postponed or slowed because of the limitations on local financial sources.

I should like to say one other thing: The reports in the last few days from the Federal Reserve and other sources have been a source of gratification to us. They have shown that production has increased in the last month, and this is very welcome news. However, the Joint Economic Report was predicated upon just such an increase in output. The committee's dour employment outlook for the end of this year,

something in the order of 6 to 7 percent, is predicated upon a recovery beginning in the second quarter this year. The more than a million new workers entering the work force, the increases in productivity, and the lengthening of hours, are unfortunately going to offset most of these production increases. There is, therefore, every indication that our unemployment problem will be as intractable, unless we do something about it, by the end of this year as it is today.

Senator CLARK. Now the views of the Joint Economic Committee were based on a considerable amount of professional economic testimony from experts in the field, were they not?

Mr. REUSS. That is correct, not only from Government experts, but from professional economists, from the banking institutions, from labor unions, and from industry.

Senator CLARK. It seems to me that the views of the Joint Economic Committee seem to be pretty much the same as those Mr. Meany's testimony represented this morning. Of course, there is substantial dissent from that part of the Joint Economic Committee report?

Mr. REUSS. Yes. The minority dissented, and I will have to let their dissent speak for itself. I shall leave with your subcommittee a copy of the Joint Economic Report. Senator Proxmire also filed separate views wherein he specifically dissented from the majority on the issue of the need for capital grants for local public improvement. Senator Proxmire's thesis was that the majority understated the dangers of unemployment, that the situation was actually worse than the majority had set out, but that the specific remedies suggested by the majority were not, he thought, equipped to deal with the problem.

Other dissenting views are contained in the report. But the official report of the Joint Economic Committee—after all, like all committees, we are governed by the principle of majority rule—is precisely as I have given it. It states that the economic situation, despite some improvement, is serious; that employment is going to continue unless we undertake to do more than has so far been recommended to the Congress. The Joint Economic Committee majority pronounced itself as very pleased with the administration's program. However, the one single concrete recommendation which the majority had to offer was the enactment of legislation along the lines of S. 986.

Senator CLARK. I am going to ask Mr. Merrick, the counsel of the subcommittee, to excerpt and to have placed in the record at the conclusion of Congressman Reuss's testimony the pertinent comments of the minority, and also of Senator Proxmire on the precise point which he refers to in his testimony, with the recommendation of the majority of the committee.

We are going to have some testimony later from the Congress, both in support and in opposition to the bill, and I would like to have the record complete in that regard.

Thank you very much, Congressman, is there something else?

Mr. REUSS. I might just say one more thing, that I note in the press this morning a statement made yesterday by Secretary of Commerce Hodges, on the question of the rate of our recovery. Secretary Hodges is quoted as saying that "regardless of how fast our economy is moving currently, the Nation still faces an unemployment problem." I think that's a reasonable and dispassionate assessment of where we are.

Senator CLARK. Which, of course, has been magnified by Secretary of Labor Goldberg, who is even more concerned about it.

Mr. REUSS. Thank you.

Senator CLARK. Senator Pell?

Senator PELL. No questions.

Senator CLARK. Thank you very much, Congressman Reuss.
(The excerpts referred to above follow:)

RELEVANT EXCERPTS FROM THE JOINT ECONOMIC REPORT (87TH CONG., 1ST SESS.,
H. REPT. 328)

* * * * *

FISCAL POLICIES

Several witnesses expressed concern that the Federal budget has become too restrictive in recent years. They pointed out that the budget now tends to come into balance at excessively high rates of unemployment, and to produce too large a surplus even at moderately full employment—say 4 percent. In recent years the budget has tended to produce smaller and smaller deficits when unemployment is serious. To illustrate, in the first quarter of 1958, when unemployment averaged 6.3 percent, the budget showed a deficit of about \$8 billion per year (national income and produce account basis). In contrast, by the fourth quarter of 1960 the deficit was only about \$0.6 billion per year while unemployment was about the same, or 6.4 percent.

Several witnesses estimated that in 1960 and 1961 a 4-percent unemployment rate would produce a budget surplus as high as \$10 billion or more. They attributed the recent recession, in part, to this fact of an overly restrictive budget. The analysis of recovery prospects summarized earlier in this report suggests that unemployment is likely to remain high throughout 1961 and possibly through 1962. The recent tendency of the budget to come into balance at higher and higher rates of unemployment, suggests a growing divergence between budgetary changes produced automatically by a growing economy and requirements for full employment and stable economic growth. The divergence arises because governmental policies serve not merely the immediate objectives of Government administration—national defense, regulation and promotion of commerce and trade, etc.—but also (a) act as automatic stabilizers to counteract fluctuations in economic activity and (b) stimulate and/or regulate the economic growth of the Nation as a whole.

Federal fiscal policies make important contributions to economic stability—the expansionary influence of recession-born deficits partially offsets declines in privately produced incomes; and surpluses in prosperity, or inflationary periods, help to curb excessive demand and make possible debt reduction. To a large degree this happens automatically through the effects of changes in employment on revenues and on payments for unemployment compensation. Thus in the current recession, the budget shifted from a cash surplus of about \$6 billion per year in the second quarter of 1960 to a cash deficit of about \$1 to \$2 billion per year in the first quarter of 1961.

But the economy not only fluctuates, it also grows. Each year the labor force increases, the stock of capital rises, and all of our productive resources become more efficient. At sustained full employment, the economy therefore can produce more each year. Economic growth combined with fiscal policies designed to stabilize automatically the economy will produce over time, however, a gradual rise in the ratio of total Federal receipts to the GNP. Reasons for this are outlined in greater detail in a staff memorandum appearing in the appendix of this report. As shown there, at a 1-percent rate of growth, for example, in 11 years the average ratio of receipts to GNP would rise by about three-fourths of 1 percent of GNP, or from 17.8 percent to 18.5 percent. At a 5-percent rate of growth, the percentage would rise from 17.8 percent in the beginning year to 20.7 percent in the 11th year. In terms of the Internal Revenue Code of 1954, this would mean a time span ending in 1965.

This rise in the average rate of taxation reflects the facts that the Federal revenue structure exempts a large portion of incomes from tax and has a marginal rate of tax on additions to incomes of 20 to 91 percent for individuals and of 30 and 52 percent for corporations. The average ratio of receipts to GNP at full employment would have been about 17.8 percent at the time the Internal Revenue Code of 1954 was enacted.

Unless, therefore, Government expenditure programs rise faster than national output grows at full employment, thus keeping up with the growth of

revenue, the Federal budget under present tax legislation will show a rising surplus at full employment. The surplus will constitute a rapidly rising percentage of GNP. If expenditures were kept at a constant percentage of GNP, the dollar volume of Federal expenditures would rise faster than any current proposals for the years immediately ahead, unless the rate of growth of the economy falls to—or significantly below—the past 50-year average of 3 percent per year.

The inescapable conclusion is that to maintain reasonably full employment the Government regularly must readjust its fiscal and monetary policies to suit the requirements of a growing economy. Otherwise in each recovery period the automatic-stabilizer features the structure will start putting the brakes on expansion at higher and higher rates of unemployment, as some witnesses asserted happened in 1955-60. Similarly, the budget will begin to offset declines in employment only after they become unreasonably severe, as the budget will be balanced at a higher rate of unemployment in each new recession.

The Government can make the necessary adjustments and adaptations in its fiscal programs by (a) periodic downward adjustments of the average yield of the Federal tax structure—a procedure this committee has suggested on other occasions, (b) boosting Federal spending programs fast enough to absorb the growing flow of revenues generated by economic growth, or (c) following some combination of the two. Whatever form, or combination of forms, the adjustments take, it will be appropriate in the interest of economic growth, sound monetary policy, and avoidance of inflation to consider the need for budget surpluses at full employment. Budget surpluses can help prevent inflation in boom times and reduce the Federal debt.

Along the first—or expenditure—route of adjustment, socially desirable Government activities in addition to those already proposed might be initiated. Much more could be done in the areas of flood control and water and soil conservation, urban renewal, public and private housing, educational assistance, health programs, and other fields. Expanded activity in any of these areas would not only increase employment and aggregate demand in the private sector but also contribute to more rapid long-run growth of our Nation. So long as resources are available which can be employed in these activities, the inflationary dangers from these types of increased Government expenditures would appear to be a sight.

Action in the second direction, tax reduction, would influence expansion of production in the private sector of the economy—which also seems desirable. A tax reduction would be reflected in increased demand for the goods and services produced in the private sector. Of course, numerous alternative tax changes might be made to serve the purpose. One change which would have an immediate effect—and probably the most direct effect upon consumer demand—would be a reduction in the withholding rate on wages and salaries and a corresponding change in the first bracket rate on individual income. All taxpayers would be benefited by this type of change and the psychological as well as the economic effects of such a change could multiply rapidly through the economy.

This committee has recommended in the past that discretionary countercyclical tax changes should be used either to ease tax burdens in a recession or to raise tax restraints in an inflationary period. We again recommend that the Congress examine the possibility of using such discretionary tax changes. Whatever discretionary action might be considered to deal with the immediate situation confronting us this year, we must not lose sight of the longer range problem created by the tendency of Federal revenue to rise as a percentage of GNP. It would seem inescapable that consideration be given to a regular, periodic reassessment of the tax structure—for example, every 5 years.

Recommendations include:

LOCAL PUBLIC CAPITAL IMPROVEMENTS

We recommend that legislation be enacted:

To provide, for a limited time, for Federal grants on a matching basis to local communities (other than those with no serious unemployment problem) for immediately needed improvements—such as police stations, fire stations, streets, parks, water and sewerage systems. The program should be confined to projects that can be started quickly, say within 90 days, and finished quickly, say within 12 months. Such a program would help reduce unemployment and spur local public improvements needed now but postponed, or slowed, because of limitations on local financial resources.

EXCERPT FROM INDIVIDUAL VIEWS OF SENATOR WILLIAM PROXMIRE

DISSENT FROM COMMUNITY FACILITIES RECOMMENDATIONS

What I have said immediately above is why I dissent from the committee's recommendation of a grant program for such local purposes as "police and fire stations, streets and parks."

The necessities of national defense, interest on the huge national debt and such necessarily national programs as the farm dilemma and care of veterans have enormously swollen the size and cost of the Federal Government. But these are national problems bearing a national responsibility that can be met only by the Federal Government.

It is true that CWA and WPA engaged in local projects at the depth of the great depression with great benefit to the idle men who were taken off a dole and provided with useful, constructive work.

Today, however, our unmet need for national defense, including civil defense, in an increasingly perilous world is immense.

The responsible and expert Gaither and Rockefeller reports both call for a far greater national defense effort than we are now making. If the Federal Government is to step up its participation in our national economy it should be in the field that is peculiarly its responsibility—providing a surer and safer national defense.

EXCERPT FROM STAFF MEMORANDUM ON THE RELATIONSHIP OF THE FEDERAL BUDGET TO UNEMPLOYMENT AND TO ECONOMIC GROWTH

But today, after the postwar inflationary forces have subsided, it seems hazardous to assume that the economy can rise to full employment (i.e., 4 percent unemployment) while a steadily rising State and local tax structure bears with increasing severity on consumption and Federal fiscal policies are geared to produce a surplus at full employment which may be of the order of magnitude of 2 to 3 percent of the gross national product. It is even more hazardous to assume that the economy can achieve full employment over the next 2 to 4 years with Federal fiscal policies geared to produce at potential output rates (4 percent unemployment) a steadily rising surplus approaching the 4 to 5 percent rate, or in the range of \$25 to \$40 billion per year. To maintain a sensible monetary policy, and to give the Federal Reserve authorities freedom to maneuver without producing excessively restrictive credit conditions and too high interest rates, an appreciable budget surplus at the full-employment level is needed—perhaps equal to at least 1 percent of the potential gross national product and possibly as high as 1.5 percent of the potential gross national product. It is impossible, of course, to pinpoint an exact target percent, but a combination of tax and expenditure policies that can produce a rising surplus, at potential gross national product already at 3 percent and rising steadily toward 4 to 5 percent of gross national product, almost certainly threatens an insuperable barrier to the achievement of full employment.

The writer of the following letter, a former special economic adviser to the Federal Reserve Board, is professor of political economy, emeritus, at Harvard University. His most recent book is "Economic Issues of the 1960's."

To the Editor of the New York Times:

Senator William Proxmire, in his dissent from his Democratic colleagues' majority report of the Joint Economic Committee of May 2, reaches the sweeping conclusion that the New Deal fiscal policy was a failure and therefore it is folly to rely on fiscal policy as a cure for unemployment now.

Admittedly we were then breaking new ground. We could certainly do better now. Nevertheless, taking the record as it stands, Senator Proxmire's analysis does not fare well under careful scrutiny.

In order to understand in our day the magnitude of the recovery task confronting the Roosevelt administration we would do well to translate the figures of the thirties into current values.

Our gross national product today is five times that of the peak year preceding the great depression. I have, therefore, in what follows, multiplied the figures by five. In this manner we shall be able, I think, to get a clearer picture of what the New Deal fiscal policy actually achieved.

INHERITED DEFICIT

In these terms, then, the situation confronting the Nation in March 1933, was as follows: The GNP had fallen from \$500 billion in 1929 to slightly over half that figure. The deficit inherited by Roosevelt in the fiscal year terminating 3 months after he assumed office was \$13 billion. The Federal budget expenditure was \$23 billion.

The unemployment rate was 24.9 percent of the labor force. In terms of the current (1961) labor force, 17.8 million were unemployed.

In the face of an inherited deficit of \$13 billion (my adjusted figures), it took considerable courage to increase Federal outlays. To balance the budget under the circumstances was clearly impossible, and I assume that even Senator Proxmire would not have favored such a policy.

Senator Proxmire flatly asserts that the New Deal fiscal policy did not work. Actually, however, the GNP, despite the recession setback in 1933, reached the 1929 level by 1940.

That the recovery in the thirties did not bring full employment by 1940 is no great mystery when one takes cognizance of the well-nigh bottomless pit from which the recovery started. The record could indeed have been much better had Congress been bold enough to support the administration's effort to check the 1933 recession. In the meantime, however, increased per worker productivity together with net additions to the labor force had added 6,500,000 to the ranks of the unemployed over and above the 1929 unemployment level.

ABSORBING JOBLESS WORKERS

We are confronted with this same problem today, but on a much smaller scale. We have nearly 7 percent unemployed. It may take 2 or even 3 years to absorb our unemployed in view of the workers displaced by automation and the net increase in the labor force.

In contrast with our situation, the excess of unemployment above a full employment rate was sevenfold greater in the thirties.

What we do learn from the thirties, however, is that the task of building up an economy after a near-breakdown cannot be achieved within the time span of a normal recovery. Senator Proxmire completely overlooks this incontrovertible fact.

Indeed, if we could lift our GNP by \$44 billion a year, as was done in 1933-37 (using my scale of magnitudes), we should be doing right well.

No one is asking today for a continued deficit comparable to that of the thirties. That prolonged deficit was necessary in view of the abysmal unemployment. A deficit of comparable magnitude now would quickly bring us to full employment.

Admittedly an undetermined residue (structural unemployment) would remain which would need to be retrained and relocated.

ALVIN H. HANSEN.

MIDDLETOWN, CONN., *May 15, 1961.*

Senator CLARK. At this point in the record I will insert the prepared statement of Congressman John A. Blatnik, of Minnesota.

(The prepared statement of Congressman Blatnik follows:)

PREPARED STATEMENT OF CONGRESSMAN JOHN A. BLATNIK, OF MINNESOTA

Mr. Chairman, I am grateful for this opportunity to testify in behalf of S. 986, a timely and essential effort to reduce the serious level of unemployment confronting our Nation. Several administrative actions have been taken and a number of excellent bills have been passed by Congress directed at reducing unemployment. But, in spite of the many positive steps taken, unemployment persists as our Nation's most important domestic problem. More vigorous antirecessionary steps must be taken. S. 986 provides this emergency action, and also injects the stimulus required to start meeting the accumulated deficiencies in our public economy. Representative Reuss, of Wisconsin, and I have introduced legislation in the House of Representatives (H.R. 6542 and H.R. 6543) similar to S. 986 in scope and purpose.

PURPOSES SERVED BY LEGISLATION

The compelling merit of S. 986, H.R. 6542, H.R. 6543, and similar pieces of legislation introduced this session and the past several sessions lies in the fact that two urgent national needs can be met by a single legislative act. Though essentially designed as a quick and effective means of increasing employment through the acceleration of capital expenditure programs, these bills in addition will provide funds to meet longstanding public needs, now reaching alarming proportions because of prolonged neglect and expanding population. We must cut the backlog of needed community facilities and expand our public economy or we will soon be inundated by an unmanageable demand for public projects, and not be able to meet the minimum needs in this area for a population soon to boom to over 200 million people.

CURRENT LEVEL OF UNEMPLOYMENT

According to many experts, the current recession has reached its bottom, and over the next few months the economy is expected to slowly gain strength. Several signs of improvement have recently appeared on the horizon. There has been an increase in steel production, the sale of new autos has improved, manufacturers' inventories have dropped, new orders for manufactured goods have increased, and freight traffic is turning upward for the first time in more than a year. Optimism stemming from these recovery signs, however, should be tempered by recent steel industry announcements that Memorial Day will probably mark the beginning of a slowdown in the rise of the industry's production rate.

The important question with which we should concern ourselves is not whether the economy is recovering, but whether it is moving ahead vigorously enough to significantly reduce the high level of unemployment. As of mid-April, unemployment was still at the 5 million mark. This number was equal to a seasonally adjusted rate of 6.8 percent. The decline from the May rate of 6.9 percent was not much more than a seasonal one, and not a very significant reduction toward the 5.1 percent average for the Nation a year ago. Besides, these statistics based on the Department of Labor's definition of unemployment really understate the case. The Joint Economic Committee in their 1961 report state that, "The labor force figures include the self-employed and unpaid members of their families to the extent of over 10 million. If these individuals are subtracted from the labor force figure of 71 million, then we find that the unemployment rate (without seasonal adjustment) was not 7.7 percent as usually reported, but 9.7 percent." In addition to this, there is another downward bias in the figures. Labor Department figures indicate that there were approximately 3 million workers who wanted full-time work in April but had to accept part-time jobs instead. Their full-time equivalent amounts to an additional 1.2 million unemployed workers. When these part-time equivalents are added to the 5 million counted as unemployed we get a total of 6.2 million out of work in April of this year. If a percentage rate, using the 6.2 million figure, is computed on the civilian labor force in April reduced by the estimated 10 million self-employed, we would get an unadjusted national rate of 10 percent. This certainly is a serious situation.

Mr. Chairman, the duration of unemployment is also reaching serious proportions. The number of long-term unemployed (those out of work 15 weeks or more is higher now than it has been at any time in recent years—this includes the 1958 recession. In 1957, 560,000 persons were unemployed 15 weeks and over or 19.1 percent of total unemployment. In 1960, 956,000 fell into this category, amounting to 24.3 percent of the total. Between March and April of this year long-term unemployment increased by nearly 300,000 to a postwar high of 2.1 million. The Department of Labor also makes special note of the fact that the March to April increase was more than seasonal. This means that more than 40 percent of the unemployed are in the 15-week and over category, almost three times the number of long-term unemployed in March 1957. In addition, a total of 900,000 of the long-term unemployed have been idle over 6 months. This increase in the duration of unemployment obviously indicates greater difficulty in locating new jobs, and adds to the hardship of the unemployed worker and his family. These facts carry serious implications for the whole economy. They certainly are not a signal for Congress to stand idly by with a "wait-and-see" attitude.

The statistics which give the national average rate of unemployment also gloss over the gravity and severity of the unemployment situation in our areas of substantial and persistent labor surplus—our so-called depressed areas. In their statement to the Joint Economic Committee on March 6 of this year, the Council of Economic Advisers indicated that the May unemployment rate for a group of 16 major areas of substantial and persistent labor surplus exceeded the national rate by 72 percent in 1953, 81 percent in 1954, 68 percent in 1957, 89 percent in 1958, 67 percent in 1960 and 81 percent in November of 1960. In April of this year, using the insured unemployment figures which are not as comprehensive since they exclude workers who have exhausted their benefit rights, new workers, and persons on jobs not covered by State unemployment insurance programs, the States in which our major depressed areas are located all had percentage rates higher than the national average rate which is computed from data based on household interviews. The national average unemployment rate was 6.8 percent, but the insured unemployment rate for Pennsylvania was 9.3 percent, for West Virginia 11 percent, for Kentucky 11.6 percent, and 7.6 percent for Minnesota. In my district (Minnesota Eighth Congressional District), and area taking in most of northeastern Minnesota, the situation is much worse than the State average would indicate. In Duluth, Minn., a major area of substantial labor surplus (labor supply group E) the unemployment rate currently is better than 10 percent. The two smaller areas in my district, Brainerd-Grand Rapids and Hibbing-Virginia are both classified as "Areas of substantial and persistent labor surplus"—i.e., their annual average unemployment rate has been at least 50 percent above the national average for 3 of the preceding 4 calendar years. The prospects for an early pickup in mining activity as a basis for economic recovery in this corner of Minnesota are very grim. Because of the large stockpiles of iron ore at the mills on the lower end of the Great Lakes resulting from an overestimation of mill needs for last winter, the United States Steel Corp. predicts that shipments of iron ore will drop to 40 million tons this year, the lowest level since 1938. We need assistance quickly. The extension of unemployment benefits is at best a very temporary measure, and the Area Redevelopment Act will not provide any tangible improvements in economic activity for some time to come. A program of quick capital expenditures for community improvements seems to be the only feasible program for alleviating our unemployment distress while the general level of economic activity improves and the long-range development programs begin to produce results.

Another disturbing feature of our recent economic history is that recovery from each of the past several recessions took place at successively higher levels of unemployment. The upswings after each of the three past recessions were shorter and weaker. The rate at the cyclical peak in July of 1953 was 2.7 percent, in July of 1957 the peak rate was 4.2 percent, and in May of 1960 the rate at the peak had increased to 5.1 percent. The intervals between the recessionary periods has been steadily shrinking, too. After the 1949 recession the economic upswing lasted a full 45 months. After the 1954 recession expansion continued for 35 months. The period of climb after the 1958 recession lasted only 25 months before the country started into the recession of 1960. The economic losses from these high unemployment levels are staggering. The Joint Economic Committee points out that if in 1960, "unemployment had been maintained at an average rate of, say 4 percent, instead of the actual 5.6 percent, the gross national product for the year would have been \$30 to \$35 billion more than was actually produced." The loss of \$30 to \$35 billion in potential output would have meant \$500 more for each American household. This production gap has been widening. Based on the unemployment rate for the first quarter of 1961, the gap is estimated to be about \$50 billion annually.

What do the production gap and trend toward recovery at higher levels of unemployment signify as regards the course that public policy should take? Mainly, they indicate that we have to adopt more vigorous measures to expand demand if the patterns of the three previous recessions are repeated and the statistics seem to indicate that the trend will continue. As the Council of Economic Advisers pointed out in their statement before the Joint Economic Committee, "whenever it occurs, reversal of the recession is only the beginning, not the end of the task of restoring momentum to the American economy. Even if GNP in the last quarter of this year were to achieve an all-time record level of 3.5 percent higher than the fourth quarter of 1960—a gain of \$18 billion in constant (1960) prices—the unemployment problem would still be of roughly the

same magnitude as today." The Joint Economic Committee also arrives at the same conclusion and predicts that, "if the most optimistic estimates we have heard are realized, more than 6 percent of the labor force will be unemployed at the end of the year, and unemployment will not be reduced to a level as low as 4 percent by the end of 1962." The prospects, then, for our Nation's workers are indeed dark unless strong action is taken soon. Can we be content with a recovery which will leave 6 to 7 percent of our people unemployed at the end of this year? I think not.

The Secretary of Labor has estimated that roughly 10.5 million jobs would be needed over the next year to eliminate unemployment entirely, and 7.3 million jobs merely to cut the unemployment to 4 percent of the labor force. Vigorous steps have already been taken by the administration to reduce this job lag, and it should be commended for its speedy action. The aggregate effect of these actions, however, will be insufficient to affect the level of unemployment anticipated in 1961-62. The best prospects for a quick expansion of demand and reduction in unemployment lie in an increase in Government spending on projects which would put men to work quickly, and in turn give a boost to consumer spending. It must be remembered that economic deterioration is cumulative. If we fail to act this year, our economic problems will reach more awesome magnitudes next year. Mr. Chairman, in light of what I have just said, I recommend that we speedily put into effect the recommendation of the Joint Economic Committee that legislation be enacted that would:

"* * * provide, for a limited time, for Federal grants on a matching basis to local communities (other than those with no serious unemployment problem) for immediately needed improvements—such as police stations, fire stations, street, parks, water sewage system. The program should be confined to projects that can be started quickly, say within 90 days, and finished quickly, say within 12 months. Such a program would help reduce unemployment and spur local public improvements needed now but postponed, or slowed, because of limitations on local financial resources."

ACCELERATION OF CAPITAL EXPENDITURES FOR COMMUNITY NEEDS

Mr. Chairman, every community and our Nation as a whole has a serious backlog of needed public projects. The real virtue in legislative measures like S. 986 is that through the acceleration of capital expenditures in the public economy, both employment can be increased when jobs are needed and long-standing needs of the public sector of our economy can be met. The rapid growth in population, increasing industrialization and urbanization, revolutionary changes in technology, and the rising expectations of our people have combined to magnify these public shortages.

It has become common usage to describe our economy as a mixed economy—a private-public system. Certain interdependent and complementary functions are performed by both private and public agencies. In order to best serve the public welfare, the two sectors must be in functional balance. Most critics now say that a serious imbalance has developed between the wealthy private economy, and the relative poverty of the public economy. The main reason for this discrepancy between the two sectors has been the inadequate support of the public economy while our social needs were booming and our productive capacity was growing.

The statistics on spending in the two sectors should give some indication of where the responsibility lies. From 1946 to 1959, the 14 postwar years, we produced an aggregate GNP of better than \$4,700 billion. Approximately 80 percent of this total or \$3,800 billion went to the private sector. Of this \$3,800 billion, some \$3,100 billion was used in personal consumption with the remaining \$700 billion being channeled into private investment. The share of the public economy from the aggregate was about \$920 billion, of which some \$350 billion went to the State and local governments. The remainder of the \$920 billion, \$570 billion, constitutes the share of the Federal Government. Only \$85 billion of the Federal share was spent for civilian functions, the rest having been spent on national security and related activities. Most revealing for our purpose, however, is the special area of capital formation expenditures. State and local governments invested about \$90 billion for this purpose. The Federal Government in comparison spent less than 25 percent of its total nonmilitary public investment or only \$29 billion for capital formation. Despite severe fiscal limitations, State and local governments have been the mainstay of the public economy, providing almost 80 percent of its support. The conclusion can only be

that the Federal Government has played a minor role, both as supplier of public capital and supporter of basic social services.

The expenditures of the Federal Government have fallen far short of what was needed. The State and local government have made commendable efforts to keep apace of the growing needs, but even with assistance from a variety of Federal programs they have been unable to slow the growing gap between existing facilities and actual requirements. The prolonged neglect by the Federal Government has resulted in a serious accumulation of deficiencies in education, airports, urban redevelopment, community facilities, energy supply, transit systems, steam and air pollution, crime and juvenile delinquency, institutional care for dependent and aged persons, and other vital social services. The evidence is strong that the lag in the development of the public sector has also retarded progress in the private sector.

The problem facing us in the area of community facilities expansion is two-fold. First, we must try to eliminate our accumulated deficiencies, and second, we must strive to expand the public economy to meet future needs of more than 200 million people. Estimates as to our requirements vary accordingly to how complex a solution is sought and how rapid a remedy is contemplated. Regardless of the calculation, need for a staggering outlay is always indicated. Alvin H. Hansen, a reputable economist in this area, estimates that we need to allocate one-fourth of the GNP, or roughly \$125 billion a year to the public sector. A lower estimate made by Gen. John S. Bragdon, a special assistant to President Eisenhower, indicated that an investment of \$160 billion over the next 10-year period would be required just to take care of the backlog of needs and replacement of existing facilities. Contrast these estimates with the average nonmilitary public investment of just over \$9 billion a year during the period from 1956 to 1959. Even if compared to more conservative estimates of our needs, we have fallen far short of our actual needs.

Mr. Chairman, it is imperative that we take action to quickly reduce unemployment, and meet the growing community needs of our people. Whatever we do in the public part of our economy, will also stimulate general economic activity and growth in the private sector. The situation in many of our depressed areas is critical, and most of the local communities do not have the financial resources to provide jobs through community improvements. In keeping with the spirit and purpose of the Employment Act of 1946, let us make firm and decisive steps to remedy this situation as quickly as possible. S. 986 is a strong step in the right direction. I strongly urge that this committee give it their favorable consideration as soon as possible.

JUNE 2, 1961.

HON. JOHN A. BLATNIK,
House of Representatives.

DEAR CONGRESSMAN BLATNIK: Your letter of May 31 with attached statement regarding S. 986 was directed to my attention.

On behalf of Senator Clark, I want to thank you very much for this statement and you may be sure that it will be inserted into the record at an appropriate place.

With kindest regards,
Sincerely,

SAMUEL V. MERRICK,
Counsel, Subcommittee on Employment and Manpower.

HOUSE OF REPRESENTATIVES,
Washington, D.C., May 31, 1961.

Senator JOSEPH S. CLARK,
Chairman, Subcommittee on Employment and Manpower, Senate Committee on Labor and Public Welfare, Senate Office Building, Washington, D.C.

DEAR JOE: I would appreciate it if you would include this statement as part of the record of the hearings held before your subcommittee.

In addition, I would appreciate it if this statement could become part of the record of the first or second day of the hearings.

Thank you for your courtesy.
All my best wishes.
Sincerely yours,

JOHN A. BLATNIK,
Member of Congress.

Senator CLARK. The subcommittee will be in recess. Friday morning at 9:30, the subcommittee will resume, at which point we will hear from some of the economists to whom I referred a moment or two ago.

(Whereupon, at 10:45 a.m. the subcommittee recessed, to reconvene at 9:30 a.m. Friday, May 19, 1961.)

EMERGENCY EMPLOYMENT ACCELERATION ACT

MONDAY, MAY 22, 1961

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND MANPOWER OF THE
COMMITTEE ON EDUCATION AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met at 9 a.m., pursuant to recess, in room 4232, Senate Office Building, Senator Joseph S. Clark (chairman of the subcommittee) presiding.

Present: Senators Clark (presiding), and Pell.

Also present: Senator Philip Hart of Michigan.

Committee staff members present: Stewart E. McClure, chief clerk; and Samuel V. Merrick, counsel to the subcommittee.

Senator CLARK. The subcommittee will please be in order.

Our first witness today is Mayor Henry Maier, of Milwaukee, Wis.

We are very happy to have you here. Your city has a distinguished record going back for many years for municipal government and understanding of these problems.

We are particularly happy to greet you here. I think it is the first time I have had the privilege of hearing some of your testimony.

Do you have a statement?

Mayor MAIER. Yes, I do.

Senator CLARK. You may insert it in the record, or you may read it, whichever you prefer.

STATEMENT OF HON. HENRY MAIER, MAYOR, MILWAUKEE, WIS.; ACCOMPANIED BY SHEPARD A. MAGIDSON, EXECUTIVE SECRETARY TO THE MAYOR

Mayor MAIER. I want to thank the Senator. I am happy to appear hear today on behalf of my city and the American Municipal Association.

Senator CLARK. You say you are appearing on behalf of the American Municipal Association?

Mayor MAIER. Yes, sir.

Senator CLARK. I am happy to hear that.

Mayor MAIER. I want to say that I believe this is a tremendously important piece of proposed legislation.

I would like to personally thank you, Senator, for the sponsorship of this.

I believe, too, that this body can provide governmental machinery that will turn the economic machinery—that will again set productive American hands to work.

This is good for the individual—we are not a nation of idlers; it is good for the economy. We cannot afford stagnation. It is good for America. We must periodically renew our physical plant.

The bill you have before you here will help accomplish all three objectives.

Today I wish to emphasize three main points:

The importance of local public works programs in fighting recession.

The means of harnessing State, local, and Federal Governments as effective partners in this enterprise; and

Some technical details which should be considered in passing this legislation.

The Federal responsibility in this matter is paramount. Only the Federal Government has the requisite taxation and borrowing powers that are necessary for an effective antirecession program. Individual cities and States do not have either the budgetary flexibility or the financial basis for pursuing an expanded program of public works without assistance.

I believe S. 986 provides an effective means of harnessing the fiscal forces of States and local governments to Federal antirecession efforts.

This is necessary, because in 1959, local and State governments spent 181 percent, or nearly twice the amounts spent by the Federal Government in all areas, excluding national defense.

Latest figures from the Bureau of the Census show also that State and local governments spent 50 percent of all capital outlay expenditures at all levels, including those the Federal Government makes for national defense.

For these and other reasons, local, State, and Federal fiscal operations should complement each other—particularly in public works activities—to compensate for downward movement of the business cycle.

If a permanent antidepression policy were established by the Federal Government, through a program of public works incentive grants to State and local governments, as advocated in this bill, local governments would be eager and able to serve as effective partners in the antirecession program.

There need be no gap in swinging such a program into action.

For instance, in the city of Milwaukee, with a quarter century of long-term capital budgeting behind us, we could easily get a little further ahead in our planning and land acquisition programs.

With Federal grants in aid in time of recession, we could then move quickly to protect our tax base and fight unemployment.

A few days ago, Congressman Reuss from our city inserted into your committee record Milwaukee's list of \$35 million of public works, a list resulting from our careful review of Milwaukee's current 6-year capital improvements program to determine the possibilities for antirecession projects.

Because no land acquisition is required for any of these, we could convert them rapidly from ideas into detailed plans and thence into work on the ground.

Since some of these projects require great amounts of unskilled labor, while others require substantial orders of electrical equipment, steel, concrete, and other items, they could have a significant antirecession effect, if matched in cities across the Nation.

To use Federal grants-in-aid, once the policy is established, advance local land acquisition and planning would, of course, be imperative.

But this joint operation would confer three substantial, visible benefits upon the local and Federal Governments. These are: improvement of the local employment level at once; insurance against unnecessary projects; and achievement of long-term operational economies.

We must be sure, however, that the machinery set up is adequate to carry out the purposes of this excellent legislation.

I respectfully suggest, therefore, that you consider these five possible changes of detail.

First, the bill states:

that no grant shall be made with respect to any project unless such project results in a net increase in the current annual level of capital expenditures of the applicant.

It seems to me that this language should be amended to clearly permit a city to use the capital grants made available to pay for projects previously budgeted and for which some local funds have been appropriated. Local funds already available could then be applied as matching money and the projects involved increased in size, or the necessary work speeded, through Federal matching funds.

Senator CLARK. Let me interrupt you there, Mayor.

Mayor MAIER. Yes, sir.

Senator CLARK. I am very much interested in that. Of course, as you know, our purpose in writing that provision, which you have quoted, into the bill was to be sure that the locality did not just sit back and use Federal money for what they would otherwise have used local funds for with no net increase in employment.

I am sure you agree we must make that restriction.

Mayor MAIER. Senator, as I interpret your purpose in this bill—maybe I am wrong in this—but my interpretation is your main purpose is acceleration.

Senator CLARK. Our main purpose is to put people back to work on useful public employment. You have a capital budget in Milwaukee, I am sure.

Mayor MAIER. Right.

Senator CLARK. How many years ahead does that capital program run?

Mayor MAIER. Six years.

Senator CLARK. Ours in Philadelphia does, too.

You would have no objection, would you, to a provision which would permit you to telescope that program into a shorter period of time by taking, say, projects which had been authorized under the capital program for 1963, let us say, and putting them underway in 1962?

Mayor MAIER. I think that the bill as written does that, Senator.

But I am making these additional proposals because I think that the other methods that I am going to suggest here will accomplish your objectives.

For instance, we have budgeted item A which we have set up in appropriations already, and we are getting it underway. We may be getting it underway or it may be designed over a 3-year period, but we have already expended local funds for this project.

Now, it seems to me that this bill should allow that we get a credit for those local funds as a part of our 55 percent if the present formula prevails in the bill.

This is what I am suggesting in this section of the testimony.

Senator CLARK. Do you object to the words "Net increase in the current annual level of capital expenditures?" Do we not have to have that in there?

Mayor MAIER. Well, I think that what I am suggesting here, Senator, does not impair the idea that you have there.

I am suggesting that either administratively or in the bill it can be clearly laid out that we are entitled to a credit for appropriations already made.

You see, on a project, say, a 3-year project, maybe we have put in a quarter of a million dollars. We get credit on a matching basis for that quarter of a million dollars.

Senator CLARK. Even though you were going to spend it if this bill were not passed at all?

Mayor MAIER. Well, I don't think your objectives are hurt by that, because we are going to spend it, but we are going to spend it now instead on a 3-year program we are going to spend it right now.

So it means that we have expanded our budgetary system.

Senator CLARK. Let us follow this analogy through because I think you have got an important point and we ought to be sure that the language is fair and meets it.

You budget \$250,000 over a 3-year period, let us say, to repair certain streets. If you get the 45-percent grant you will do it all in 1 year.

Mayor MAIER. That is right.

Senator CLARK. You want to be sure you get credit for the whole \$250,000?

Mayor MAIER. That is correct.

Senator CLARK. What I am suggesting is that maybe you only ought to get credit for two-thirds of it, if you are only going to spend one-third in the current year.

Mayor MAIER. Well, the more credit you can give us, the more we can expand and accelerate consistent with Federal objectives.

Senator CLARK. I think I understand your point. I am glad you made it. We will try to work the language out in a way that will be fair, but we have to be certain that this is not used as a Federal hand-out to permit the cities to back away from expenditures they would otherwise make themselves.

Mayor MAIER. I realize that.

Senator PELL. I wonder if that is pointed out by the annual level of expenditures?

Senator CLARK. I think it is. We want the language checked.

Senator PELL. As written now, it does not cover the point.

Senator CLARK. I think we have covered that, Mayor.

Mayor MAIER. I just checked with Mr. Magidson. He did not think I had anything that could be clarified.

Senator CLARK. Would you identify your associate for the record?

Mayor MAIER. This is Mr. Shepard Magidson, my executive secretary.

Senator CLARK. Go right ahead.

Mayor MAIER. To expand on this point I have here, for instance, a 2-year program, construction program, would be telescoped into a single year or a limited paving program could be expanded easily into a larger program.

Second, the speed and effectiveness of the Federal program could be improved through a graduated series of incentive grants.

I might point out that what the Federal Government is after is acceleration.

Senator CLARK. Actually, we are not so much after acceleration as we are putting people to work. If actually we found new projects we would be just as happy with them if they were sound as if they were projects which had already been programed.

Mayor MAIER. I make this assumption. When I say acceleration, I mean acceleration in putting people to work.

Senator CLARK. Yes, that is what we are after.

Mayor MAIER. That is the point I am making here. This is your main objective. I think the local government on the other hand has a twin priority, but the paramount consideration from our standpoint is tax base.

So I ask for consideration of this additional proposal to the bill, the idea I am going to discuss here of a graduated series.

My example is this: If local funds appropriated to cover the full annual cost of a project were expended within 6 months, this again relates to my assumption, a municipality would be granted aids of 45 percent toward the cost of that project.

This would achieve the Federal aim of acceleration of employment.

Then, if the local funds thus freed were expended, within 6 months on an additional project for which no previous local appropriation had been made, additional Federal aids would be made available. This would be a double benefit to the municipality and would augment Federal objectives.

On the other hand, if an additional project could not be started and substantially completed within 6 months, but could be within a year, then Federal matching funds would be made available for the one project, as the bill presently contemplates.

Finally, if the municipality did not use the savings within the year, the original Federal matching grant would be canceled and the municipality would receive no Federal aid whatever.

Now, it seems to me along these lines, and somewhat similar to this, you would have the safeguard you are looking for and accomplish your objectives.

It would be a big improvement for the municipalities.

(The prepared statement of Mayor Maier follows:)

STATEMENT OF HON. HENRY W. MAIER, MAYOR OF MILWAUKEE

Mr. Chairman and gentlemen, I appear here today on behalf of the American Municipal Association and the city of Milwaukee concerning bill, S. 986. As you know, this bill by Senators Clark, Randolph, and Pell would reduce unemployment by stepping up local capital expenditures during recession periods.

This honorable body can provide governmental machinery that will turn the economic machinery—that will again set productive American hands to work. This is good for the individual—we are not a nation of idlers; it is good for the economy—we cannot afford stagnation; it is good for America—we must periodically renew our physical plant. The bill you have before you will help accomplish all three objectives.

Today, I wish to emphasize three main points: the importance of local public works programs in fighting recession; the means for harnessing State, local, and Federal Governments as effective partners in this enterprise; and some technical details which should be considered in passing this legislation.

The Federal responsibility in this matter is paramount. Only the Federal Government has the requisite taxation and borrowing powers that are necessary for an effective antirecession program. Individual cities and States do not have either the budgetary flexibility or the financial basis for pursuing an expanded program of public works without assistance.

I believe S. 986 provides an effective means of harnessing the fiscal forces of State and local governments to Federal antirecession efforts.

This is necessary because in 1959, local and State governments spent 181 percent—or nearly twice—the amounts spent by the Federal Government in all areas, excluding national defense. Latest figures from the Bureau of the Census show also that State and local governments spent 50 percent of all capital outlay expenditures at all levels, including those the Federal Government makes for national defense.

For these and other reasons, local, State, and Federal fiscal operations should complement each other—particular in public works activities—to compensate for downward movement of the business cycle.

If a permanent antidepression policy were established by the Federal Government, through a program of public works incentive grants to State and local governments—as advocated in this bill—local governments would be eager and able to serve as effective partners in the antirecession program.

There need be no timegap in swinging such a program into action. For instance, in the city of Milwaukee, with a quarter century of long-term capital budgeting behind us, we could easily get a little further ahead in our planning and land acquisition programs. With Federal grants-in-aid in time of recession, we could then move quickly to protect our tax base and fight unemployment.

A few days ago, Congressman Reuss from our city inserted into your committee record Milwaukee's list of \$35 million of public works—a list resulting from our careful review of Milwaukee's current 6-year capital improvements program to determine the possibilities for antirecession projects.

Because no land acquisition is required for any of these, we could convert them rapidly from ideas into detailed plans and thence into work on the ground. Since some of these projects require great amounts of unskilled labor, while others require substantial orders of electrical equipment, steel, concrete, and other items, they could have a significant antirecession effect, if matched in cities across the Nation.

To use Federal grants-in-aid, once the policy is established, advance local land acquisition and planning would, of course, be imperative. But this joint operation would confer three substantial, visible benefits upon the local and Federal Governments. These are improvement of the local employment level at once, insurance against unnecessary projects, and achievement of long-term operational economies.

We must be sure, however, that the machinery set up is adequate to carry out the purposes of this excellent legislation. I respectfully suggest, therefore, that you consider these five possible changes of detail.

First, the bill states "that no grant shall be made with respect to any project unless such project results in a net increase in the current annual level of capital expenditures of the applicant." It seems to me that this language should be amended to clearly permit a city to use the capital grants made available to pay for projects previously budgeted and for which some local funds have been appropriated. Local funds already available could then be applied as matching money and the projects involved increased in size, or the necessary work speeded, through Federal matching funds.

For instance, a 2-year construction program would be telescoped into a single year, or a limited paving program could be expanded easily into a larger program.

Second, the speed and effectiveness of the Federal program could be improved through a graduated series of incentive grants.

Then, if the local funds thus freed were expended within 6 months on an additional project for which no previous local appropriation had been made, additional Federal aids would be made available. This would be a double benefit to the municipality and would augment Federal objectives.

On the other hand, if an additional project could not be started and substantially completed within 6 months but could be within a year, then Federal match-

ing funds would be made available for the one project, as the bill presently contemplates. Finally, if the municipality did not use the savings within the year, the original Federal matching grant would be canceled and the municipality would receive no Federal aid whatever. The municipality would not over-extend its financial obligations, since it would start no projects not originally budgeted.

Third, paragraph (2) of section 3 of the bill, dealing with definitions of what constitutes "public works and facilities" should, I suggest, be amended to include street lighting among the classes of projects listed. Our city, I know, is in need of an extensive program of improving our lighting in older areas as well as extending our system to newly added areas. This kind of project can be placed in operation rapidly, uses a substantial amount of labor and materials, and is likely to be cut first when local budgetary pressures grow severe.

Fourth, it may be necessary to increase the 45-percent level of Federal aid for the bill to be effective. Local governments, dependent as they are upon the property tax as their major source of revenue, will find themselves extremely hard pressed to provide a full 55-percent additional matching appropriations for a major public works buildup.

For the very communities with the highest levels of unemployment are in greatest need of additional works as direct work relief measures. These are the same communities with the greatest pressure on their local budgets and property tax resources because of added relief costs and forced tax delinquencies.

Of course, we do not wish to offer relief to cities, any more than to persons, on the basis of who can afford it. Since those who can afford it most need it least, then those who can afford it least are our natural customers.

And I think it is demonstrably good business to promote the program on this basis—as an investment in local government, as insurance (or protection) of Federal revenue sources nationwide, and with profits in restored dignity and personal productiveness.

Fifth and last, in dealing with a program of Federal-aid for public works, I suggest also establishment of a capital budget prerequisite for municipalities receiving such assistance. Perhaps you might require a municipal capital improvements program of several years duration so that projects could be moved forward in case of recession.

The existence of such a program would serve to prevent the use of Federal and local funds on unnecessary projects and to insure that federally aided public works are actually over the schedule of work that the municipality has set for itself.

In summary, gentleman, I feel that in the present apparent upturn, we should prepare an effective program for Federal, State, and local machinery to combat future recessions. If a well thought-out Federal program is enacted now, then in States where additional legislation may be required this can be done; in cities where additional planning is necessary, this can be done; and in school districts where additional planning is necessary, this can likewise be done.

Only in this manner can the combined governmental units—Federal, State, and local—be marshaled into a single effective force to combat future recessions, while accomplishing much for the long-term public welfare of the United States and its citizens.

Senator CLARK. What is the percentage of the labor force in the Milwaukee area which is presently unemployed?

Mayor MAIER. Five point six.

In January and February of this year it was slightly above seven.

Senator CLARK. Here is one of our problems. We do not want to convert this into a depressed areas bill. We have provisions in that legislation for relatively smaller amounts of public works in terms of loans and grants. And we have to have a lot of flexibility in the bill.

On the other hand, I think we would not want to see this amount of money—it is \$500 million, which would not go very far with an additional standby of half a billion dollars if the President thinks it is needed—we do not want to see all this money syphoned off into the wealthier municipalities and wealthier States where, while there is some unemployment, but it is not a problem.

If the incentives are set in the bill for well governed and well-to-do communities like Milwaukee to take advantage of, and indeed for smaller cities which have not done much advance planning, we might find that all this money is going to communities where, while there is some need for it, it is not the area of greatest need.

It is my point to see that we have the bill flexible enough so that the Administrator will be able to get the money out quickly and he will not find a formula in the bill where he is pretty much committed to put it in an area where it is needed least.

Mayor MAIER. No. 1, I think you avoid the depressed areas aspect of this thing where you have the requirement of national unemployment of 6 percent and then a local requirement of 6 percent.

When you have those two things, it means that the have-nots are going to be taking advantage of the bill only half the time.

You have an assumption that might be challenged that Milwaukee is a wealthy community. But this is not true.

The central city, I don't know whether this is uniform throughout the country, but the city of Milwaukee, itself, today, has a higher tax rate than any of its surrounding communities.

Senator CLARK. I think that is generally true. I know you as Mayor, have to stick to your jurisdiction, but I have to think in terms of the metropolitan areas.

We have to think of it as a labor market.

Mayor MAIER. When you think of it as labor market, you will find that your thinking will be entirely coincidental with the city of Milwaukee. I do not think we have any conflict on that point.

Senator CLARK. Let us not stop on that any further, other than to say you would like some additional incentives built into this bill which would help you?

Mayor MAIER. I suggest, Senator, that you might find that this kind of program will accomplish your objectives and also build in the safeguards that you are concerned with. Now, I may be wrong.

Senator CLARK. We will certainly take a careful look at it.

Mayor MAIER. Thank you, sir.

Senator CLARK. Now, I do not think we need to stop on the third point because I think we should have street lighting in.

Mayor MAIER. Good.

The fourth point, then, I imagine you may consider superfluous, but it may be necessary to increase the 45-percent level.

Senator CLARK. Let me stop you on that one. We are being torn in two directions. We have had witnesses who agree with you, who say we ought to increase the grant.

We have other witnesses who say it ought to be cut back at least to 33 percent in order to make the money go further.

We have witnesses who say that they think we ought to build in a provision which would give a poorer municipality, measured in terms of its unemployment rate, a higher percentage grant to one where the unemployment rate is low, in order to get the most people back to work.

Mayor MAIER. The second argument is the argument I used in here.

Senator CLARK. I understand.

Mayor MAIER. The fifth point is that I am suggesting the establishment of a capital budget prerequisite for municipalities receiving such assistance.

Senator CLARK. Let me pick your brain on this. A capital improvement program to my way of thinking is actually an essential part of sound municipal finance. Every city, middle size, small, and large, ought to have it, but if we are to try to get people to work in a hurry, can we afford to make that a requirement which might take 2 or 3 years for a local municipality to get established.

Mayor MAIER. From my own standpoint this is not a bill that we are trying to work up in a hurry as of right now, I hope. I think this bill rather than based on hindsight, is foresight and a considerable amount of vision.

It is my feeling, Senator, and you probably know much more about the impact of this than I, but it seems to me this is one of the best devices we could possibly have in this country to deal with recession and depression and I think if we can put this kind of measure into existence and keep it there that it can alleviate an awful lot of concern in this country.

Senator CLARK. What you are saying is that this ought to be permanent and not temporary legislation?

Mayor MAIER. It should be, Senator. I hear some rumors, I hope that this measure will have the full-fledged support of the administration now.

Senator CLARK. I hope it will, too.

Mayor MAIER. I think that we are awfully shortsighted, since you brought this matter to a head, if we don't adopt it now. I think if we do adopt it and expand it as need be in the future, I think we have a tremendous antirecession measure and I think one that can enroll a tremendous amount of popular support once there is understanding of what we have here.

It is because of the relationship to the idea of making it substantial and building in the safeguards for the Federal moneys that are necessary that I have proposed this capital budgeting idea.

I can't think of any beter way of running a Federal antirecession program or antidepression program and averting the so-called boon-doggling than you have in this bill.

Senator CLARK. Thank you very much, Mayor. Your testimony has been most helpful and enlightening.

Your views are also those of the American Municipal Association?

Mayor MAIER. I was called by the American Municipal Association representative and asked to appear here this morning on their behalf.

Senator CLARK. So one can assume that the American Municipal Association is supporting S. 986, I would think.

Mayor MAIER. This was made very clear to me over the telephone when I was called. They are supporting this bill.

Senator CLARK. Thank you very much, Mayor.

Senator Pell?

Senator PELL. I have no questions.

Senator CLARK. Thank you very much sir. We certainly appreciate your taking the time to come down here.

Mayor MAIER. Thank you, Senator.

Senator CLARK. Now, our next witness is Senator Philip Hart, of Michigan.

Senator, we are happy to have you here.

**STATEMENT OF HON. PHILIP A. HART, A U.S. SENATOR FROM THE
STATE OF MICHIGAN**

Senator HART. Mr. Chairman, knowing the demands on the time of the subcommittee, I have a prepared statement which I would like to submit. If you have no objection, it may be inserted in the record.

Senator CLARK. The prepared statement may be inserted in the record at this point.

You may highlight it in any way you see fit, Senator.

Senator HART. Thank you.

(The prepared statement of Senator Hart follows:)

PREPARED STATEMENT OF SENATOR PHILIP A. HART

Mr. Chairman, thank you and the members of your committee for the opportunity of appearing in support of your bill, S. 986. Gov. John Swainson had hoped that his schedule would have permitted him to appear before your committee to support this legislation. Last minute demands in Michigan have made this impossible, but he has asked me to submit to the committee his statement on this legislation and the current employment outlook over the next 6 to 12 months in Michigan.

Because of the detailed presentation by the Governor on the economic situation, as he sees it in Michigan, I will not dwell on the justification for this legislation from that standpoint. One sentence, however, from the Governor's testimony should be underlined: "It would be a serious error for the Congress to assume that normal recovery will solve employment problems, and make emergency action unnecessary."

Early this year the Congress passed the Area Redevelopment Act. The Governor's office and various State agencies in Michigan are already working to utilize the tools provided in this act to attack the problem of chronic unemployment in some of the most serious areas. But the economic recovery stimulus which is sought through S. 986 is of equal importance with the tools provided under the Area Redevelopment Act.

On May 5, 88 Michigan cities sent their mayors or city officials to an all-day work conference which had been organized for them here in Washington. It was to better acquaint them with the Federal programs which might be of assistance to their cities.

As the opening speaker at our Michigan mayors' conference, Dr. Kermit Gordon of the Council of Economic Advisers presented a succinct review of the economic outlook in the month immediately ahead. Dr. Gordon's remarks were recorded during the conference, and I would like to submit the full transcript for your record. One significant portion seems worth repeating as your committee reviews the need for an accelerated program for construction of municipal and State public facilities.

"The American economy has been developing a good deal of productive slack. It has been tending over several years to operate at a level significantly below the level at which it is capable of operating without very great difficulty. If you look back several years, you find that at the peak of economic activity in 1953, we had about 3 percent unemployment. At the next peak of economic activity in 1957, we had about 4 percent unemployment. At the next peak of economic activity in 1960, we had about 5 percent unemployment. So that unemployment as a measure of economic slack has been rising each of these recoveries. You can never be precise about these figures, but our best guess is that today we are something like 10 percent below reasonable capacity operation for the economy as a whole. This comes out at something like \$50 billion a year in terms of gross national product.

"There are other measures of the extent of our slack. A very good survey taken at the end of 1960 showed that our manufacturing industries on the average were operating at about 77 percent of capacity as against the desired rate, an efficient rate as stated by the industries themselves, of about 94 percent. And although this was the end of 1960, the figure certainly is not very much higher today if it's higher at all.

"Furthermore, the labor force, our labor force, this year is going to increase by more than a million people. So that even with a good recovery, with a good brisk recovery from the recession, it doesn't seem very likely, I wouldn't bet, on the proposition that unemployment in the United States as a whole is going to fall below the 6 percent mark by the end of the year. In other words, we have moved up, we're turning up, the economy is moving in the right direction, but we've got a long way to go because of this accumulated slack which has developed over the years.

"Now if we look ahead even further than the problem of making good the slack in our economy, we come to the third of these problems. This is the problem of slow overall growth. American economy needs to grow at a rate of around 3½ percent a year, give or take a little bit, just to provide jobs for the growing labor force. In other words, we've got to grow at 3½ percent just to stand still in terms of our rate of employment. Yet, the economy in recent years has been growing at only about 2½ percent a year. And this, as I am sure you know, is not a very good rate; it doesn't compare very well with that of any of the other major advanced industrial countries."

President Kennedy in his statements on economic recovery and budget policy indicated that further Federal expenditures this year would be considered in reviewing two areas of need. The first was the Nation's military and space requirements. Second was the rate and completeness of our economic recovery. The justifications which you made, Mr. Chairman, when introducing S. 986 for accelerating municipal capital improvement programs were sound not only at that time, but even more so today as we project data on unemployment rates to the end of this year.

In Michigan there are six counties in the southeast section of the State which include the broad metropolitan area of the city of Detroit. Townships and municipalities in these counties, working through the Supervisors Intercounty Committee, have surveyed needed public works in their respective jurisdictions. In April they submitted their findings to Michigan's Governor Swainson. The entire report will be useful to the committee and I will provide it for your file. The brief summary of its findings I would ask be printed at the conclusion of my remarks. Two paragraphs from the summary of the Supervisors Intercounty Committee are especially important:

"There has been expressed by the present administration a clear-cut intention to make use of Federal funds to assist local communities to help themselves in meeting today's critical needs for new and expanded public facilities and services. It is recognized that many of these needs have resulted from explosive metropolitan area growth which flows across traditional boundary lines of governmental units. Speedy solutions to these needs or problems are imperative to the health and economic well-being of the entire area. The solutions are often beyond the financial capabilities of the local units and generally involve several governmental units in the area. A classic example of this is the present financial inability of all but a limited few local units in the Detroit area to construct vitally needed public works facilities unless Federal financial assistance is obtained.

"It is significant that these various public works projects throughout the region would provide needed employment for a very large portion of the present unemployment load of the Detroit metropolitan area. This could well be an excellent example of the importance of teamwork and partnership at the Federal and local levels whereby through proper financing a depressed area's economic condition can be alleviated, unemployment problems can be solved and the impact of a public works project for the Detroit metropolitan area would be manifest within the Nation's total economy."

The inventory of projects which could be placed under construction within 90 days in the city of Detroit and these six metropolitan counties amounts to \$204,784,169.

But, Mr. Chairman, to recite figures of millions of dollars of potential public works projects overlooks the very real human aspects of these problems. A short distance from the city limits of Detroit, in Wayne County, Michigan, people live in squalor and are desperately seeking to improve living conditions for themselves and their neighbors. Here is an excerpt from letters I have received on living conditions in parts of Romulus Township:

"Romulus Township is deplorably lacking in proper health and sanitary facilities. A large number of homes are without city water and toilet facilities. Some of the homeowners could have installed septic tanks but the soil is so poor that it will not absorb the waste properly; hence, outhouses for toilets as

the next best means are used. These outhouses, although long outmoded as insanitary, serve as breeding places for vermin and disease. In many instances, where city water may be obtained, it must be piped from main lines and, at times, over other property. Since this would entail costs far in excess of what a number of people could afford, wells are sunk or water is carted for household use.

"There are no paved streets leading from main thoroughfares in Romulus Township. A majority of the homes are situated on ungraded, untreated roadways and some homes are just on lanes not yet platted. Homes on these unplatted lanes have addresses where no easement has been established except by adverse use. It is necessary that people walk to main roadways to mailboxes for their mail. Since the lanes and roadways are impassable several months during the year, a hazardous condition exists whenever a family needs transportation to or from a medical facility. Neither an ambulance or passenger car can get through to help a distressed person or family. Although the township has made a desperate effort to provide a nearby fire station, it is of no avail when a home is burning on an impassable lane or roadway. The firetruck will only get mired in the mud. Even to secure spiritual succulence, one must walk in mud and water to worship and pray for a better way of life; and, oft-times, must forego even that.

For the record, Mr. Chairman, I submit the entire copy of Mrs. Dockett's letter and resolutions which indicate the desire of the residents of this township to find help through programs to improve their environment.

The legislation being considered today has merit beyond being an effective and productive tool for our Nation's program of economic recovery. It represents action for getting on with the job of providing basic municipal facilities without which towns and cities cannot be expected to provide decent living conditions for their citizens in mid-20th century America.

In addition to a number of letters which I would like to file for the record, I would call to the committee's attention a letter Senator Clark received from the city manager of Traverse City, Mich. In a very simple and eloquent way, Mr. Damouse expresses our Michigan cities' community needs. Here is a short portion of his letter:

"Frankly, I am torn between two philosophies. On the one hand I am dedicated to the proposition that a municipality, like an individual, should and must stand on its own two feet, do what it needs to do without outside help. On the other hand, again like an individual, a community sometimes must have assistance.

"Somewhere between these two extremes is an area of compromise and, under certain conditions, we must compromise if we are to move ahead.

"I earnestly believe that your program admirably satisfies this condition. It honors the principle which made our country and our people great, and it recognizes the realities of life. If a community can show that it is doing all that it can and still has need for a little help, there is adequate justification for accepting this without jeopardizing its civic honor and pride."

At the end of the all-day session of our May 5 work conference for Michigan mayors, each of the Michigan cities represented was supplied with a one-page public works assistance survey questionnaire and asked to return it in order that first-hand information could be made available for the hearings on S. 986. A copy of that questionnaire is submitted with my statement.

The questionnaire stated that:

"Consideration is being given to recently proposed legislation which would authorize Federal assistance grants to State and local government public works up to 45 percent of project costs. The Federal grants would be made only for those projects which result in the level of capital improvement expenditures of the State or local government, i.e., for capital expenditures in excess of those originally budgeted for the current fiscal year. The grants would be limited to those projects which can be started within a reasonably short period of time, with priority to be accorded to projects which can be started within 90 days.

"To assist in gaging the need for this type of Federal assistance, it would be appreciated if you would answer the following questions."

One never is sure how precise a sampling of the municipalities of any State is achieved by this type of survey. It is my belief that from the returns which I have received so far, there is clear evidence that a program of State and local public works projects to be started within a minimum period of time is entirely feasible. In fact, the backlog of needed municipal public works is indeed staggering.

In brief capsule form, here is what we have learned from our Michigan public works assistance survey; 35 cities have replied out of the 88 questionnaires which were distributed. The cities come from all parts of our State and range in population size from 1,800 to 200,000.

All 35 indicated that a program of Federal assistance grants for State and local government public works projects would be of help to their city. As best I have been able to estimate from the answer so far, 22 of these 35 cities have public works projects which clearly could be under construction within 90 days with a total value of \$94,654,270. As you can see from the questionnaire, these projects include sewage disposal, parks and playgrounds, public buildings, streets and sidewalks, and water distribution systems.

Only one of the cities indicated that they were unable to borrow because the municipality had reached its legal debt ceiling. A majority of those answering indicated that they could issue general obligation bonds; 16 of the 35 indicated they could make allowances for their costs out of their current budgets for capital improvements. Nine cities had funds accumulated from previous years.

To indicate the extent to which municipalities were attempting to meet these needs, 29 cities replied to question No. 4 that they were currently budgeting over \$12,355,540 for this year's capital improvement programs.

As you can see, Mr. Chairman, from the limited sample of Michigan cities which this survey represents, the backlog of municipal public works is indeed impressive. The \$94 million figure which we have extracted from the returns from these 35 cities is based on a conservative tabulation of their estimate of when these projects could be started.

We also know from the record of application for funds under the Federal Water Pollution Control Act that we have four times the number of project applications in Michigan as there are matching funds available. This demand will not be met even with the increased program contemplated in the recent House-passed Blatnik bill.

In summary, I firmly believe that the cities of Michigan have a backlog of public improvement programs ready to go within 90 days which would be eligible for assistance under the terms of S. 986. These are not "make work" projects, but rather unmet accumulation of many years of expanding population and persistent difficulties with adequate financing.

To invest in this type of capital improvement—even at the cost of a temporary Federal deficit—in face of unemployment at least above the 6-percent level through next winter, is not irresponsible fiscal management. It is investment in capital and human resources that we in America cannot afford to ignore.

Senator HART. First, Mr. Chairman, the Governor of Michigan, John Swainson, had hoped very much he could personally appear this morning in very strong support of the Clark bill.

Unfortunately, demands at home have prevented his coming, but he has sent to me a statement which he intended to make to the committee.

If there is no objection, I would appreciate it if it can be made a part of the record.

Senator CLARK. That may be done.

Please convey to the Governor our regrets that he could not be with us. Tell him also that his prepared statement will be of great assistance to us.

Senator HART. Thank you.

(The prepared statement of Governor Swainson follows:)

PREPARED STATEMENT OF JOHN B. SWAINSON, GOVERNOR OF MICHIGAN

May I express my appreciation for this opportunity to appear before the Senate Committee on Labor and Public Welfare to state my support of S. 986, the Emergency Employment Acceleration Act of 1961. This proposal will give immediate stimulation to the sagging national economy by expediting the completion of our backlog of needed public works projects. Such action is needed to alleviate the intolerable levels of present unemployment.

The plan Senator Clark has devised to achieve this stimulation is to provide Federal grants to encourage State and local governments to increase capital expenditures by initiating projects that can be started within 90 days and completed within 1 year.

This bill would also have important secondary effects, achieving maximum employment increases with a minimal expenditure of funds. A recent study of school construction by the Department of Labor shows that for every 84 man-hours of work on the site, there are created 10 additional hours of direct labor on off-the-site construction, and 118 hours of indirect labor in the manufacturing of materials and equipment used. Another study of highway construction shows that 1.3 hours of offsite labor are created by each hour of construction work on the site.

Throughout the past 5 years, Michigan has been faced with the problem of continuous high unemployment. Since 1955, many factors have operated to make the unemployment rate in Michigan much higher than the rate for the United States as a whole. Among the most important of these factors have been Michigan's strong orientation toward the manufacturing of durable goods, increased decentralization in the automobile industry, and the shift in defense procurement away from wheeled vehicles toward electronic devices and missiles. These forces have operated to boost Michigan's unemployment, even while national unemployment was moderately low. The severe recession of 1958 and the current 1960-61 business downturn caused a marked aggravation of the already serious unemployment situation in Michigan. I offer the following facts in support of this statement:

In 1958, the national average of unemployment was 6.8 percent, while unemployment in Michigan climbed to 13.6 percent, or double the national average. In March 1961, cutbacks in automobile production resulted in a Michigan unemployment rate of 14.2 percent as against the national average of 7.7 percent.

Although current economic indicators point to a mild upturn in the national economy, an appraisal of the prospects of employment expansion in Michigan indicates little likelihood of any substantial reduction in the number of jobless workers in Michigan in the foreseeable future. An analysis of employment projections and prospective labor force changes indicates that unemployment in Michigan will remain above the 300,000 level throughout the second quarter of this year. During the third quarter, model change schedules in the automobile industry are likely to increase unemployment above the 400,000 mark. Through the entire year, the projected level of unemployment indicates that more than 10 percent of the State's total labor force will be out of work.

It would be a serious error for the Congress to assume that normal recovery will solve unemployment problems, and make emergency action unnecessary.

I relate these facts in an attempt to point out that the recession has been disproportionately severe in Michigan. The very nature of our economy, dominated by the production of durable goods, has made it more sensitive to national economic fluctuations and has imposed a significant degree of unemployment. A similar condition exists in other industrial States with a high concentration of durable goods production, since during times of national recession, business and industrial expenditures for such products are easily deferred. S. 986 will help these States utilize a larger portion of our wasted productive capacity and manpower. It will help expedite the completion of some of our most necessary public works projects.

In view of our particular problems in Michigan, associated with a predominantly hard goods producing economy that is highly sensitive to national fluctuations, we are expending every effort to diversify and strengthen our economy to reduce the impact of national downturns. However, these are long-range programs and do not solve the immediate problem. We are faced with taking up the temporary slack and the proposed Emergency Employment Acceleration Act of 1961 offers exactly the type of temporary and immediate stimulus we need.

I am particularly impressed with the labor standards of S. 986. This is not a make-work project or a welfare program. All workers will receive prevailing wage rates for regular work, and time and one-half for overtime work.

It may be alleged that the bill will lead to waste, or that it will encourage State and local governments to hastily improvise unsound projects in order to take advantage of the Federal funds. I can assure you that this is not the case. In Michigan, capital outlays at the State level have been postponed for several years. We have worthwhile and badly needed projects that are well planned, and await only financial support.

The same thing is true at local levels of government. A recent survey by the Michigan Economic Development Department, covering outstate Michigan, revealed that local governmental units have a backlog of \$700 million in immediately needed public works projects requiring financial support. In the six-county urban complex of southeastern Michigan, the Supervisors' Intercounty Committee has estimated urgently needed capital expenditures at \$1.2 billion. Here, too, many vital projects are already well-planned, and are overdue, but have been postponed for lack of financing.

As I see it, the main shortcoming in S. 986 relates to the matching requirements. Most local government budgets are already fixed, and I am concerned that many of our Michigan communities would be unable to participate due to a lack of operating or reserve funds. Most of our communities reflect the fiscal problems of State government, due in large part to a protracted period of national economic recession. I would hope that some provision could be made to allow local units of government a time extension in excess of the stated 90 days for project starting in those cases where a bonding referendum is necessary to raise local matching money. Further, in view of the severely limited financial resources of many of our local units of government, I hope some consideration can be given to allow more flexibility in the 45 to 55 percent matching ratio that would more realistically reflect the individual unit's ability to participate.

The solution of the unemployment problem in this country must come largely at the Federal level, because unemployment in particular areas is basically due to national economic ailments beyond the control of individual workers, or local governmental units. S. 986 proposes to meet this critical situation by bold Federal action, buttressed by the cooperation and participation of local communities. Such an approach has my enthusiastic support.

Senator HART. There is always the danger that in attempting to summarize a written statement, you take longer than if you undertook to read it. I shall attempt to be an exception to that rule.

With you, I believe the area redevelopment bill is good medicine for America, but it is not all that the health of the patient requires.

The hard core areas of unemployment in my judgment will continue with us unless additional steps are taken.

It seems to me that the steps contained in your bill represent the most direct thrust which could give us hope that the hard core unemployment may be relieved.

Specifically, the unmet public needs in Michigan have never been the subject of a statewide study on which I could give you precise figures.

But 2 weeks ago, the mayors of Michigan spent an all-day work conference here and at that conference and in anticipation of this hearing, I gave to them a questionnaire, a one-page questionnaire, and some 35 have replied to it.

Senator CLARK. Let me say that you were very hospitable to the mayors of Michigan. I am going to have to do something like that for the mayors of Pennsylvania.

Senator HART. I know that one so distinguished as a mayor will establish a record for hospitality to the present mayors of Pennsylvania.

The questionnaires are still in process of being returned, but we were able to tabulate the findings of some 35 of them.

They show that 22 of the 35 cities have public works projects which clearly could go into construction in the next 90 days.

Questionnaires from 35 have been returned and of these 22 show that in their construction which would go into operation within 90 days there is a total value of about \$95 million.

As the questionnaire indicates, the projects range right across the board as you have enumerated in your bill.

Now, only one of the cities responding indicated that they were unable to borrow because of an already met ceiling, debt ceiling. The majority of those answering indicated they could issue general obligation bonds.

Sixteen of the thirty-five indicated they could make allowances for their costs out of their current budgets for capital improvement.

Nine had accumulated sums from previous years.

Now, the question is always raised as to whether the local effort is sufficient. To indicate the extent to which municipalities were attempting to meet these needs, 29 of the cities responded that they were currently budgeting over \$12 million for this year's capital improvement program.

The \$94 million base upon these returns is based on a conservative tabulation of their estimate.

Senator CLARK. If I understand it, those are public works which would be put underway with the assistance of this bill, but in all likelihood will not be put underway unless some such Federal grant program is enacted.

Senator HART. I think your question is too careful. In all likelihood I think they would not be constructed absent your bill.

There is a backlog in Michigan of needed public improvements ready to go within 90 days that would be eligible for assistance under your bill. These are not major work projects. They represent the accumulation of many years of expanding possibilities.

I have reflected in my statement the hope that you would receive for the record several statements which I will offer and do now offer in addition to the statement of the Governor.

Senator CLARK. The statements will be printed in the record at the conclusion of Senator Hart's testimony.

Senator HART. I was interested in the chairman's questions to the mayor of Milwaukee. Unfortunately I had to leave at one point in the colloquy, but I share the chairman's view in congratulating him on the strength of this indicated attitude that we must recognize that across the country cases can be made for many, many of the improvements which are enumerated in your bill.

The thrust of this bill and your concern and our concern is to concentrate such sums as may be made available into those areas where in addition to the unmet need there is this persistent high rate of unemployment.

If we use this effort it will again be just a drop in the bucket.

We have a rate of unemployment in Michigan, I regret to say, of 14.2 percent.

Senator CLARK. For the State?

Senator HART. Yes.

Senator CLARK. What is the Detroit area's rate of unemployment?

Senator HART. I think the Detroit area is 15, or was in March.

Senator CLARK. A lot of people think that the unemployment in Michigan is largely concentrated in the Detroit metropolitan area, but I gather from what you say this is not true?

Senator HART. It includes the Upper Peninsula with its iron and copper mines.

It includes the middle region of the Lower Peninsula with its auto supply plants.

We most certainly urge the favorable consideration by this committee of your bill and thank you very much for the leadership you have given.

Incidentally, the mayors of Michigan do recognize that it has been your voice in this area which has been most persistent and your mind which has been most discerning. This is not the usual scratching of the back of the chairman; this happens to be stated by the mayors without any encouragement on my part.

Senator CLARK. I would like to ask your advice on a couple of matters here.

Is it your judgment that the 45-percent figure is too high, too low, or about right?

Senator HART. Apparently, I make this response based on the reaction of the Michigan mayors: Apparently it is about right, but that must be said with an understanding that it might not be just right for any number of other reasons.

Senator CLARK. It is very hard to determine what that figure should be. It has to be a value judgment in the last instance.

I am not so sure it is right.

Senator HART. The tally we made of the responses had in mind this question.

As I recall it, with the exception of one there was no adverse comment with respect to the percentage participation.

Senator CLARK. Let me ask you another question along the same general line:

We have had a couple of witnesses who advocated what would be administratively rather difficult to work out, but I think not impossible, which is that the amount of Federal grant should be graduated dependent on the amount of unemployment in the particular area or perhaps on the fiscal ability of the applicant to pay its share of the total cost.

Senator HART. This is the traditional dilemma. If we could find the all-wise administrator, we could just give him the money and forget about it.

But the other danger is that we will assume that 100 on this side and 500 on the other side of the Capitol will be able, without undue delay, to come up with an even better formula.

I would be reluctant to see built into the bill very much in the nature of a formula intended to give what could become a burdensome chore to the administrator.

I think the purpose of the bill is so clear, your record will indicate to whoever it is the purpose for which you have offered the bill and the purpose for which the money will be made available to him.

I would think because an essential feature of this is speed that we would be better off to avoid too much complexity in the formula.

Senator CLARK. I think I share that view.

I have one last question:

There has been some suggestion that in order to meet some opposition we ought to make this standby legislation instead of making it effective immediately.

On the other hand, there have been suggestions—the mayor of Milwaukee made one—that this should be permanent legislation.

Perhaps we ought to take the word “emergency” out of the title and make this a permanent Federal public works program.

The bill presently is sort of halfway between these two ideas. It is temporary and emergency, it is not permanent, but it is not standby, either, it goes to work right away.

What is your own thinking on that?

Senator HART. My response is worth just about the time that is made available to me to respond.

You have two problems: First, the ever present one, What can we put together that will be acceptable to the Congress?

Senator CLARK. And the administration.

Senator HART. And the administration.

Since none of the several proposals that you have described is offensive to me, it seems to me that my answer will relate to what is most easily achieved or obtained through the Congress and supported by the administration.

It will be my hunch that it ought not be standby. The need is now. If we do not make it emergency we will have a heck of a time persuading our colleagues that we should do anything.

Senator CLARK. I think my political judgment is the same as yours.

Senator Pell?

Senator PELL. I have no questions.

I, too, support your view on this same matter.

As far as it goes, we could adjust the act by the relationship to the 4 percent, 5 percent, 3 percent unemployment.

Senator CLARK. Inevitably appropriations are going to govern whether it is temporary or permanent because there is a cutoff date set at 4 percent.

Thank you very much, Senator. We certainly appreciate your help.

Senator HART. Thank you, Mr. Chairman.

(The material submitted by Senator Hart follows):

TRANSCRIPT OF REMARKS BY MR. KERMIT GORDON, COUNCIL OF ECONOMIC ADVISERS, ON MAY 5, 1961, AT THE MICHIGAN MAYORS CONFERENCE, WASHINGTON, D.C.

Let me say first that I think a work conference such as this is an excellent idea and I hope it's an idea which is taken up by other States under the leadership of the State of Michigan. It seems to me, as Senator Hart said, that there are going to be very great advantages not only to the mayors of Michigan who are represented here but also to the officials of the Federal agencies who should and will, I think, get out of today's discussions a much closer and intimate field for the nature of the problems with which the local communities deal.

My job, I take it, very briefly, is to provide a little economic perspective as background for the discussions to follow. Now, in the old days of vaudeville, the first act was often the juggling act. Perhaps this makes it appropriate if I choose to juggle a few statistics. But I promise you I shall not overdo it.

Let me talk about the broad economic picture as we in the Council of Economic Advisers see it. I'll talk about the domestic economic scene and say that we see our problems in three layers. These three layers, I think, are first the recession; second, the problem of slack in our economy, the problem of persistent slack which antedates the recession; and third, the problem of our overall rate of economic growth. Now, let me take these up very briefly one by one.

As to the recession, this, you know, started just about a year ago in 1960, and it is now pretty clear that we have reached bottom. Actually, in retrospect, it probably will seem that the economy reached bottom sometime in February or March and there are many straws in the wind that the upturn, the recovery leg of the business cycle, has begun. This was a mild recession in overall terms. The decline in our gross national product national, the total value of all the things we produce, was only of the order of about 2 percent which char-

acterizes this recession as a quite mild one. It was, however, as you from Michigan well know, was characterized by sharp increase in unemployment. The rate of unemployment rose from about 5 percent of the labor force in May 1960 to nearly 7 percent currently. There are, however, as I say, many hopeful signs of impending recovery.

You know about the automobile industry—the outlook in the automobile industry is clearly looking up. The steel industry is obviously on an increasing trend of production. The statistics on new orders of manufacturers are showing hopeful trends. The overall index of industrial production which measures the output of our industrial plant increased slightly in March, and in all probability probably will have increased even more sharply in April.

The housing picture is looking a little better. The housing picture at the turn of the year, you remember, was quite gloomy. The consequence of this—the cause of this, rather—may well have been the unusually severe winter. The statistics the last 2 or 3 months show a quite promising upturn in housing activities. We hope it lasts.

Finally, our export picture is looking up. The level of U.S. exports of goods and services has been performing very well since the beginning of the year. I am particularly pleased to note, I know you will be, that in Michigan where there has been—parts of which there has been a severe unemployment problem—new unemployment insurance claims have fallen sharply in the last couple of weeks and are now at the lowest level in about 6 months. So, we seem to be headed in the right direction. We are, I think, almost without question, pulling out of the recession.

But, before we congratulate ourselves too soon on our recovery, let's have a look at the second of these three problems. The second I mentioned was the problem of resisting economic slack. Now, if we look at where we are today and what the level of economic activity in the U.S. economy is today as compared with the way we are heading, we are obviously heading in the right direction. But if we look at where we are, the picture is not nearly as bright. The American economy has been developing a good deal of productive slack. It has been tending over several years to operate at a level significantly below the level at which it is capable of operating without very great difficulty. If you look back several years, you find that at the peak of economic activity in 1953 we had about 3 percent unemployment. At the next peak of economic activity in 1957, we had about 4 percent unemployment. At the next peak of economic activity in 1960 we had about 5 percent unemployment. So that unemployment as a measure of economic slack, has been rising in each of these recoveries. You can never be precise about these figures, but our best guess is that today we are something like 10 percent below reasonable capacity operation for the economy as a whole. This comes out at something like \$50 billion a year in terms of gross national product.

There are other measures at the extent of our slack. A very good survey taken at the end of 1960 showed that our manufacturing industries on the average were operating at about 77 percent of capacity as against the desired rate, an efficient rate as stated by the industries themselves, of about 94 percent. And although this was the end of 1960, the figure certainly is not very much higher today if it's higher at all.

Furthermore, the labor force, our labor force, this year is going to increase by more than a million people. So that even with a good recovery, with a good brisk recovery from the recession, it doesn't seem very likely, I wouldn't bet, on the proposition that unemployment in the United States as a whole is going to fall below the 6-percent mark by the end of the year. In other words, we have moved up, we're turning up, the economy is moving in the right direction but we've got a long way to go because of this accumulated slack which has developed over the years.

Now if we look ahead even further than the problem of making good the slack in our economy, we come to the third of these problems. This is the problem of slow overall growth. American economy needs to grow at a rate of around 3½ percent a year, give or take a little bit, just to provide jobs for the growing labor force. In other words, we've got to grow at 3½ percent just to stand still in terms of our rate of employment. Yet the economy in recent years has been growing at only about 2½ percent a year. And this, as I am sure you know, is not a very good rate, it doesn't compare very well with that of any of the other major advanced industrial countries. So we've got these three problems. I think we're coming out of the recession, but

we've got this much more resistant problem of slack in our economy and we've got the longer term problem of seeking through cooperative private and public action to step up the rate at which our economy grows. Now this, I say, is background to many of the problems which you'll be discussing later. It seems to me that many of the Federal programs that you're here to discuss and learn about in effect serve a triple interest. These programs first, offer, it seems to me, opportunities to make your communities better communities in which to live and work. They also, however, by making it possible to accelerate the rate at which men are put back to work, men and materials are put back to work, they also contribute to accelerating the recovery of the American economy from the recent recession. And furthermore, by, in effect, investing in all forms of capital, both human capital and physical capital, they help to increase the overall productivity of our economy and thus, to step up the rate at which our economy grows. It's an important characteristic of these programs, and, in fact, it's just because of this characteristic that you people are here today, that their success depends most closely on effective cooperation between the Federal Government, State governments, and local governments. And, in fact, it seems to be pretty clear these programs can't be successful without such effective cooperation. So, I am sure that today's sessions will enable both the visiting mayors, and the visiting officials of the Michigan communities and the Federal officials who will be dealing with you to understand more clearly how we can all work together in the interests of better communities, economic recovery, and a more rapid economic growth.

PUBLIC WORKS PROJECTS INVENTORY FOR SOUTHEASTERN MICHIGAN, THE DETROIT METROPOLITAN AREA

The Supervisors Intercounty Committee was formed in response to a feeling that neighboring counties, having many of the same problems, could all benefit by meeting together and sharing ideas and experiences. Also in the minds of the founders of this organization was the realization that many new and more complex problems were being born in the Detroit region as a result of the rapid changes and growth of the metropolitan area.

Since 1954, the Supervisors Intercounty Committee has established a fine record of service to its member counties. Today, the Supervisors Intercounty Committee is continuing its leadership role by specifically having charged itself with setting up a vitally important and timely service—that of gathering and preparing for presentation to the present Federal administration a comprehensive inventory of the various public works projects in the southeastern Michigan metropolitan area.

President Kennedy and his administration are paying increased attention to metropolitan area problems and programs. It is recognized that comprehensive planning calls for teamwork at the Federal as well as the local levels of government, and that prompt action is needed to keep urban areas liveable.

There has been expressed by the present administration a clear-cut intention to make use of Federal funds to assist local communities to help themselves in meeting today's critical needs for new and expanded public facilities and services. It is recognized that many of these needs have resulted from explosive metropolitan area growth which flows across traditional boundary lines of governmental units. Speedy solutions to these needs or problems are imperative to the health and economic well-being of the entire area. The solutions are often beyond the financial capabilities of the local units and generally involve several governmental units in the area. A classic example of this is the present financial inability of all but a limited few local units in the Detroit area to construct vitally needed public works facilities unless Federal financial assistance is obtained.

It is significant that these various public works projects throughout the region would provide needed employment for a very large portion of the present unemployment load of the Detroit metropolitan area. This could well be an excellent example of the importance of teamwork and partnership at the Federal and local levels whereby through proper financing a depressed area's economic condition can be alleviated, unemployment problems can be solved and the impact of a public works project for the Detroit metropolitan area would be manifest within the Nation's total economy.

To assist the six member counties and the local governmental units within the southeastern Michigan metropolitan area, the Supervisors Intercounty Committee has compiled and classified the following public works projects: (a)

MICHIGAN MAYORS

Public Works Assistance Survey

Name of Municipality _____ Population(1960) _____

Consideration is being given to recently proposed legislation which would authorize Federal assistance grants to State and local government public works up to 45 percent of project costs. The Federal grants would be made only for those projects which result in a net increase in the level of capital improvement expenditures of the State or local government, i.e., for capital expenditures in excess of those originally budgeted for the current fiscal year. The grants would be limited to those projects which can be started within a reasonable short period of time, with priority to be accorded to projects which can be started within 90 days.

To assist in gauging the need for this type of Federal assistance, it would be appreciated if you would answer the following questions:

1. Would these grants be of help to your city? Yes No

2. If yes, indicate types of projects, estimated cost and expected means of financing balance of cost.

Type of Project	Estimated Cost (000)	Other Financing (check Appropriate Box) Borrowing Current Budget
_____ streets and sidewalks	\$ _____	
_____ water distribution		
_____ sewerage disposal		
_____ gas and other utilities		
_____ parks and playgrounds		
_____ hospitals and health facilities		
_____ public buildings		
_____ others (please specify)		

3. For these projects, indicate status of the following: (If status differs for each project, explain on other side of paper).

a) Plans and Specifications Completed Underway Not Started
Date first project can be started _____

b) Referendum on bond election Unneeded or Completed Scheduled
in next 6 months

c) Bond Financing Unable to borrow because of legal debt ceiling
 Can issue G.O. bonds within legal debt ceiling
 Intend to use revenue bonds

d) Cash financing Can make allowance in current budget
(for remaining cost of project) Funds accumulated in previous
years and now at hand

4. Current year's capital improvements budget calls for expenditures of approximately \$ _____.

Planned within the regional concept, and (b) on the shelf ready for immediate construction—to be submitted to Federal and State departments, agencies, and individuals involved in solving these problems.

These projects are currently under consideration by the city of Detroit, the Supervisors Intercounty Committee member counties of Macomb, Monroe, Oakland, St. Clair, Washtenaw, and Wayne and numerous units of government within the counties. They are listed in the following three categories:

Class A: Those projects, with detailed engineering completed, some local funds available, legal clearances and ready to place under contract in 30 to 90 days.

Class B: Those projects requiring final engineering details and specifications but which, if funds were available, could be made ready for starting construction in a period of 3 to 6 months.

Class C: Those projects where need and feasibility have been established but where general planning must be done and where general working drawings must be prepared in order to start construction within 1 to 2 years.

A further breakdown is made as regards—

1. The estimated cost of each project.
2. The estimated local labor man-hours involved.
3. The estimated national labor man-hours involved.

A grand total of the overall area estimate of cost, local labor man-hours and national labor man-hours involved is the final series of information presented in this prospectus on public works projects for the Detroit metropolitan area.

Within the present legislative proposals presented to Congress there certainly already exists a properly planned ability for the Federal Government to enter into a partnership with local government of not just financial, but technical assistance as well. This ability the Supervisors Intercounty Committee firmly believes should be utilized in the proposed Detroit metropolitan area public works construction program.

The Supervisors Intercounty Committee hopes that as a result of this presentation of a compiled inventory of the Detroit metropolitan area's public works projects that immediate steps will be taken toward provision of the Federal assistance that is so vitally needed to launch the first complete public works construction program for an entire metropolitan area.

This Detroit metropolitan area encompasses over 4,000 square miles and has a present population of some 4,200,000 or 54 percent of the State of Michigan's total population. During the past decade this urban area (populationwise) has grown at one of the fastest rates in the entire country, and all indications point to future continuing growth at the same rate or better.

As fitting testimony to President Kennedy's expressed concern for the many problems faced by urban areas throughout the United States today; a summary as to the local and national impact of an immediate public works construction program in this fifth largest of the Nation's urban areas is offered in conclusion.

It should be clearly indicated at this point that the following summary will contain an estimate of total labor man-hours involved locally and nationally in this entire public works construction program under the categories A, B, and C. This overall total of labor man-hours is generally estimated as applying at a two-thirds ratio to the local economy and a one-third ratio to the national economy.

Respectfully submitted.

SUPERVISORS INTERCOUNTY COMMITTEE,
DELOS HAMLIN,

Chairman,

GERARD H. COLEMAN,

Executive Secretary.

DETROIT METROPOLITAN AREA—PLANNED PUBLIC WORKS

Summary

	A	B	Total immediate projects A and B	C
City of Detroit.....	\$31,886,586	\$66,182,000	\$98,068,586	\$739,954,118
Macomb County.....	43,765,715	21,303,617	65,069,332	1,889,293
Monroe County.....	1,146,497	5,759,564	6,906,061	1,686,774
Oakland County.....	31,003,711	50,008,139	81,011,850	25,660,000
St. Clair County.....	455,500	296,000	751,500	211,500
Wayne County.....	93,880,000	6,207,000	100,087,000	75,000,000
Washtenaw County.....	2,646,160	6,954,150	9,600,310	1,100,300
Total.....	204,784,169	156,710,470	361,494,639	845,501,991
Total, A, B, and C.....				1,206,996,630

A—Public works projects that can be placed under construction within a 30-, 60-, and 90-day period.

B—Public works projects that can be placed under construction within a 90- and 180-day period.

C—Public works projects that can be placed under construction within 6 and 18 months.

Man-hours of work provided directly and indirectly (estimated):

	<i>Man-hours</i>
A category.....	51,200,000
B category.....	39,170,000
C category.....	210,400,000
Total.....	300,770,000

LUVENIA D. DOCKETT, ATTORNEY AND COUNSELOR AT LAW
DETROIT, MICH., April 25, 1961.

Mr. EDWARD M. TURNER, Esq.,
President of the NAACP for the State of Michigan and the Detroit Branch,
Detroit, Mich.

DEAR MR. TURNER: AS president of the State and Detroit branch of the NAACP, you need to know how Negroes, as well as other inhabitants, are existing in Romulus Township, Wayne County, Mich. The nature of this existence prompted the community-minded citizens to submit a resolution, April 10, 1961, to the Romulus Township supervisor, Mr. Terry Troutt, and the township board requesting the township to consider a program of urban renewal. So that you can visualize a more concrete picture of conditions as they exist in Romulus, representatives of various organizations and a lay committee of property owners have authorized me to apprise you of their plight and to solicit your assistance on a State and National level, along with other interested organizations you may deem necessary, to help bring about a better standard of living for the people of Romulus Township.

Romulus Township is deplorably lacking in proper health and sanitary facilities. A large number of homes are without city water and toilet facilities. Some of the homeowners could have installed septic tanks but the soil is so poor that it will not absorb the waste properly; hence, outhouses for toilets as the next best means are used. These outhouses, although long outmoded as unsanitary, serve as breeding places for vermin and disease. In many instances, where city water may be obtained, it must be piped from main lines and, at times, over other property. Since this would entail costs far in excess of what a number of people could afford, wells are sunk or water is carted for household use.

There are no paved streets leading from main thoroughfares in Romulus Township. A majority of the homes are situated on ungraded, untreated roadways and some homes are just on lanes not yet platted. Homes on these unplatted lanes have addresses where no easement has been established except by adverse use. It is necessary that people walk to main roadways to mailboxes for their mail. Since the lanes and roadways are impassable several months during the year, a hazardous condition exists whenever a family needs transportation to or from a medical facility. Neither an ambulance or passenger car can get through to help a distressed person or family. Although the township has made a desperate effort to provide a nearby fire station, it is of no avail when a home is burning on an impassable lane or roadway. The firetruck will only get mired in the mud. Even to secure spiritual succulence, one must walk in mud and

water to worship and pray for a better way of life; and, oftentimes, must forgo even that.

Many petty crimes have served to menace the people because there are no street lights except on main arteries and even these are not sufficient. Lack of police protection is also a factor known to those who flout the law by pilfering parked cars and breaking in homes and stores in the nighttime. It is quite frightening to walk about or over the byways and lanes when the darkness is so pronounced on the dark of the moon for fear of stepping on a snake or falling in a mudhole.

Lack of public transportation is also a problem. Workers without personal means of travel must walk several miles to the nearest travel facility or pay taxicab fare plus high transport fees charged by buses in other communities. Since a large number of the male population is unemployed and must rely on the income of their wives in domestic service, a hardship exists. A domestic cannot afford taxicab fare to and from home every day and have any funds left from wages to compensate for days of hard work. These same people face a similar hardship when forced to walk in mud and water to shop or seek employment from the State employment service located several miles away.

Lack of street lights, transportation, and suitable avenues of travel has a direct bearing on the sociability of the people and causes many conflicts in efforts to provide the minimum entertainment and recreation for the youths. For skating, swimming, dancing, and theaters, it is necessary to go outside of Romulus. To travel to these places girls, irrespective of race or creed, in many instances, rely upon friendly male acquaintances who have cars. The fact that some of these girls have felt an obligation to pay for some of these so-called free rides by submitting to advances made by these male "good Samaritans" is reflected in the number of illegitimate babies born every year. If the township continues as it is, conditions will grow increasingly worse. The crime rate will soar; delinquency will increase; immorality will become a way of life and give rise to more illegitimacy thereby supplying more clients for the welfare and aid-to-dependent-children roles.

Coupled with all of these substandard despicable conditions, property owners are burdened with ever-rising taxes and assessments for isolated community projects which do not serve to relieve the stress or rid the area of blight. Many property owners are burdened with extra tax assessment for a drain and there is talk of additional assessment for sewage trunkline. Urban renewal under HHFA is the only answer to these people's prayers for a better way of life. The right to enjoy good housing in a clean, well-planned community should be the privilege of everybody in this great country of ours where there is so much in abundance; and where Federal funds are available to help communities like Romulus Township.

In conclusion, suffice it to say, the foregoing is only a résumé of conditions. To set forth in detail every aspect of the needs of the people of Romulus Township would entail writing a book. It is hoped that enough has been said to acquaint you with the problems facing all of the residents of Romulus Township. The need is apparent and urban renewal can meet this need. Your help in a way you feel best is solicited.

Yours very sincerely,

LUVENIA D. DOCKETT,
Legal Representative.

The following organizations through their authorized representatives attest to the writing of this letter: Senior Citizens Committee, Sam Buck; Citizens Association of Wayne County, John P. Harrison; Local Chapter of NAACP, Eddie Blonum; Men's Club, Marcus Stephens; Mothers' Club, Irma Kendall; President of Democratic Spt. Club, Robert C. Robinson; Citizens Committee, Thomas J. Coleman; Business Men's Association, Rev. John P. Harrison, chairman; Ministers' Association, Lowell Wooden, chairman; Republican Club, Stephen M. Grylak.

RESOLUTION EMANATING FROM A LAY COMMITTEE ELECTED BY CITIZENS MEETING
AS A GROUP AT THE INVITATION OF VARIOUS CIVIC GROUPS TO DISCUSS PLANS
FOR REDEVELOPING ROMULUS TOWNSHIP

To Romulus Township Supervisor, Mr. Terry Troutt and The Township Board:

Whereas we, the citizens and property owners of Romulus Township, acting as a lay committee for the people of our area which area can be considered seriously blighted, have considered the township's plight in deciding on the best plan for enhancing and redeveloping Romulus Town; and

Whereas we feel that any plan when finally adopted and put into effect should be broad enough in scope to embody all of the slums and blighted areas in Romulus Township without working an undue hardship or burden on the taxpayers, or without imposing heavy taxation on large segments of the property owners who will not receive any immediate benefits thereby; and

Whereas we are aware that since a large percentage of the property owners in our area and in other areas in Romulus are unemployed, and to impose heavy tax assessments on these people would be so unreasonable as to amount to taking of property without compensation; and

Whereas millions and millions of dollars under the URA are appropriated by the U.S. Government for the specific purposes of site improvement and clearance of blighted areas, then, we, as taxpayers of Romulus Township should take advantage of these millions by fostering a program of urban renewal; and

Whereas we have consulted the Manual of Policies and Requirements for local public agencies and find in part 2, chapter 4, that there are certain criteria for determining areas of eligibility for urban renewal grant-in-aid and loan; and

Whereas it is apparent that Romulus Township is eligible for a cash grant by virtue of the fact that the entire township needs to be rezoned, replatted and redeveloped in a manner to provide suitable residential areas, proper playgrounds, community centers as well as other recreational facilities, and to provide industrial sites, shopping areas, proper school facilities, streets, sidewalks, and utilities so as to rid this township of disease, delinquency, and blight; and

Whereas we find that 70 percent or more of Romulus Township is not open land but is in use and can well benefit by a trunkline laid for sewage purposes, and we also find that the so-called open land can be developed into industrial sites and/or used for establishing community facilities which will also benefit by the trunkline thus making the whole of Romulus eligible for the program of urban renewal; and

Whereas to lay this trunkline at the expense of the township which in turn will mean increased taxation on an already overtaxed community of property owners who will not benefit without additional outlay of funds for financing the running of lateral lines and even if done would not improve or enhance the community as needed: Be it

Resolved, That the township officials cease and desist any and all efforts to proceed under any plan for community development or redevelopment or improvement and refrain from entering into any program calling for slum clearance and/or laying of a trunkline for sewage purposes until due regard and study has been given to all phases of urban renewal; and

Resolved further, That, inasmuch as the budget of the township for 1961 should include an allocation of funds for proposed projects, a stipulated sum be earmarked in the budget for planning a workable program of urban renewal.

Authorized lay committee:

Dated: _____.

THOMAS J. COLEMAN, *Chairman.*

LESTER HART, *Secretary.*

SAM BUCK, *Chairman, NAACP*

(Signatures illegible).

STEPHEN M. GRYLAK.

(Signatures illegible).

LOUISE MARSHALL.

(Signatures illegible).

Senator CLARK. Mayor Maier, I understand you have two of your aldermen down here with you whom I will be happy to introduce to say just a word.

Mayor MAIER. This is James J. Mortier, the chairman of our finance committee.

Senator CLARK. Mr. Mortier, we are very happy to have you here. Will you give your full name to the reporter.

If you have a word to say, we will be glad to have you take a seat.

STATEMENT OF ALDERMAN JAMES J. MORTIER, ACCOMPANIED BY ALDERMAN CHARLES H. QUIRK, IN BEHALF OF THE MILWAUKEE COMMON COUNCIL, AND A SPECIAL COUNCIL COMMISSION TO ALLEVIATE UNEMPLOYMENT

Mr. MORTIER. In behalf of the Milwaukee County Council I wish to commend the Senator for his interest and for his sponsorship of this bill.

We feel that the bill as written would be a very good step, would accomplish its objectives.

It will at the same time be an aid to many of the cities of the country.

I think that we in the city of Milwaukee will be in a position, if the conditions develop, the unemployment conditions develop, we will be in a position so that we could move quickly and this would be a very quick, effective way of helping to alleviate the unemployment in the city.

Senator CLARK. Is there another alderman from Milwaukee present?

Mayor MAIER. He just left the room.

Senator CLARK. Suppose we take his name, for the record. We can note that he, too, supports this bill.

Is that correct?

Mayor MAIER. Yes, sir.

Senator CLARK. If his colleague will give his name and capacity to the reporter, we will note it in the record.

The next witness is Mayor Joseph Barr, mayor of Pittsburgh. Mayor, we are happy to have you here today. Do you have a prepared statement?

Mayor BARR. I do.

Senator CLARK. We will put the statement in the record at this point.

STATEMENT OF JOSEPH M. BARR, MAYOR, CITY OF PITTSBURGH, PA.

Mayor BARR. I am grateful for this opportunity to appear before the members of this subcommittee and present my views on Senate bill 986.

As mayor of Pittsburgh, I believe this proposal would be clearly in the public interest.

In Pittsburgh, at least, the long predicted, much discussed economic upturn has not resulted in any noticeable, substantial improvement in our employment picture.

As you perhaps know, Pittsburgh is one of two major urban centers in the Nation officially declared a distressed area and eligible for grants and aid under the provisions of the Area Redevelopment Act which the Senate approved weeks ago.

As of May 1, there were 109,000 unemployed in the Pittsburgh labor market area. This represents 11.8 percent of our total work force, or nearly double the national rate of unemployment.

Within weeks, that labor force will be increased by nearly 20,000 high school graduates, the great bulk of whom will be looking for immediately employment.

Because of automation and technological improvements, we realize that a large number of the unemployed in our basic industries will never be recalled even if steel production were restored to 100 percent of capacity.

In short, the economic picture in the Pittsburgh area is not a bright one.

As I stated before the Senate subcommittee hearing held in Pittsburgh in February of this year, this is a situation that calls for bold thinking and imaginative action from all levels of government.

I don't feel we can afford to wait any longer to see if the economy will right itself.

I believe this proposal, Senate bill 986, reflects this sense of urgency.

Unquestionably, the antirecession measures enacted thus far by the national administration, extension of unemployment compensation, aid to dependent children of unemployed parents, liberalization of social security, expansion of the surplus food program, all of these measures are helping to alleviate the plight of the men and women out of work.

But it seems to me we have to do more, more along the lines exemplified in this bill.

There is no better time, it seems to me, to expand capital expenditures than in a period of sustained unemployment.

Not only do we accomplish the most good in terms of new job opportunities at a time when jobs are most urgently required, but we are providing long-needed and often-delayed community facilities.

There is still another advantage in acting now. There is no better time to initiate construction activity than in a period of high unemployment in terms of getting work done at substantial savings to the taxpayers.

Let me cite an example:

In Pittsburgh this year we moved up our capital improvement program nearly 2 months, in order to provide more jobs and stimulate the demand for construction materials.

The result was that on two major street improvement projects, we received bids from more than nine firms. In each instance, because of highly competitive conditions, the successful low bid was more than \$80,000 below our original estimate, or a total savings to the city of Pittsburgh of \$160,000, on these two projects alone.

I might add that this highly competitive situation among Pittsburgh construction firms still exists.

Therefore, if this bill were to become law and we were to schedule additional work immediately, these facilities could be built at a much lower cost than in healthier periods.

Senator CLARK. That must be because these construction firms do not have the private work they had anticipated.

Mayor BARR. That is right. They are hungry.

I believe this bill provides a legitimate incentive for local communities to undertake projects that would normally be postponed or delayed because of financial limitations.

Our capital program this year calls for the expenditure of more than \$8 million for construction of streets and sewers, park and recreation facilities, and other municipal improvements.

If this proposal is enacted, I would urge our city council to free at least an additional \$500,000 for necessary public improvements in order to benefit from the Federal grants that would be available.

Let me emphasize that the additional projects we would undertake are necessary and desirable; they would not be scheduled simply for the sake of gaining Federal funds. They would be arranged in a sensible order of priority with primary emphasis on those projects that can be started with the least delay like street construction and street repair.

However, it seems to me that if this proposed public works program is to have any substantial effect on our economy this year, it must be enacted with speed to take advantage of the construction season.

I might add that in Pittsburgh, we would be able to take advantage of this public works program without resorting to imprudent financing. Our borrowing capacity is greater today than it was 15 years ago because of sound pay as you go budgeting on our part.

Now, as I stated earlier, the problem of unemployment is a complex, far-ranging one that requires concerted action. I want to make it clear that we are not looking to the Federal Government only for all the answers.

In compliance with President Kennedy's request earlier this year to expedite urban renewal projects, we in Pittsburgh will have seven major programs underway or in advanced planning by the end of this year.

I have established a special committee on economic development, whose major function is to make sure we do not overlook any opportunities to help ourselves better our economic future.

I have instructed all city departments to speed up planning design work on all construction projects to get them underway as soon as possible.

In the field of developing new jobs and new industries, our State has developed what is generally acknowledged to be the outstanding agency of its type in the Nation, the Pennsylvania Industrial Development Authority.

Since 1956, this State agency has helped local communities attract more than 140 new plants or plant expansion, employing more than 25,000 new workers.

This was done without Federal help. So you can see we are doing everything possible to help ourselves.

Now, we are faced with a challenge that requires the combined efforts of the local, State, and Federal Governments.

Wishful thinking will not put men and women back to work.

The kind of thinking exemplified in Senate bill 986 will.

It appears to me there must be hundreds of American communities that will be able to expand their public expenditures program with the type of assistance provided by this measure.

I would hope that this hearing will help dramatize the need for speedy action by the Congress on this measure to help stimulate our economy and, at the same time, provide important public facilities for our communities.

Now, Senator, I want to ask you a question.

I heard you state right now we don't have the administration support for the bill. You want some ideas how to put fires under the administration.

Senator CLARK. If there is anybody more persuasive than the mayor of Pittsburgh in that regard, I would be surprised.

You have been serving with great distinction as mayor of Pittsburgh. You have been working closely with other mayors.

I think it is also perfectly appropriate to note you were Democratic State Chairman for quite a while.

Would it be your view based on your own experience that this bill would be of assistance to a number of other Pennsylvania communities as well as Pittsburgh.

Mayor BARR. It definitely would. It would be very helpful in parts of the State which have been so badly hurt.

I am speaking now of the hard and soft coal areas, the Altoona area; the railroads will never come back to what they were, and naturally in southwestern Pennsylvania.

Senator CLARK. As you know, we have 50 third-class cities in Pennsylvania as well as a number of pretty big boroughs.

My own experience would lead me to believe that there are very few of those municipalities who would not be able to make some application for assistance under this formula and could use the Federal grant to get the badly needed public works underway. Would you share that view?

Mayor BARR. Definitely.

As I read the bill, Senator, it is the effort we give over and above the capital budget we put in at this time. I can see Mayor Maiers point, about their 3-year capital budget program. Maybe in some way if they would push up their second year into this year, you might be able to work some language in the bill to help situations such as that.

I am much concerned, and rightfully so, I know you are, with the situation, particularly in our own area where as of May 1 this year our unemployment was still 11.8.

As I said in my remarks, there are 20,000 more graduates this June and the great majority of them are thrown on the labor market.

Senator CLARK. I suppose you are having the same situation in your communities as many others, that automation has made quite an inroad on the people getting to work.

Mayor BARR. Yes. I went by, last evening, the Haddon Hall Hotel. I was noting how many more furnaces were operating at Jones-Laughlin. I think steel throughout our area is operating at 60 percent.

Senator CLARK. The mayor has reference to the Jones-Laughlin steel plant in the city of Pittsburgh, which is the biggest steel mill there.

Mayor BARR. Even if they went back to 100 percent thousands and thousands would never go back to work, with automation and technological improvement.

Those are things we cannot resist and things we cannot stop.

But we must try to find other ways. We are improving our way in being a service center. So many big corporations have their home offices in Pittsburgh.

In 1955 we had about 2,500 in research and now we have 11,000.

The university will become a greater thing, the medical center. We don't even know how to read the skills of our people because we don't know what we are going to get as yet.

The universities and schools are ready to do the job, but what are you going to teach them?

Senator CLARK. Thank you very much, Mayor Barr.

Senator PELL?

Senator PELL. No questions.

Senator CLARK. Thank you, sir.

Mayor BARR. Thank you.

Senator CLARK. We will take a short recess.

Before we recess, I would, absent objections, like now to offer for the record written statements which were furnished the subcommittee and a tape recording of the colloquy between members of the subcommittee and seven economists at an informal discussion conducted by Senator Case and Senator Pell and me last Friday.

(The informal discussion referred to follows:)

Senator CLARK. The meeting will come to order. This is Senator Joseph Clark of Pennsylvania presiding at an informal meeting of the Subcommittee on Employment and Manpower of the Senate Committee on Labor and Public Welfare. This is not an official meeting of the subcommittee. For the record, seven distinguished witnesses were requested by the subcommittee to appear before a formal hearing of the subcommittee this morning, Friday, May 19, 1961, at 9:30 a.m., to testify with respect to S. 986, the Emergency Unemployment Acceleration Act. Due to circumstances not within the control of the subcommittee, it is impossible to hold a formal meeting of the subcommittee this morning because the Senate is in session. Accordingly we are meeting informally.

We have this morning as members of the first panel, Prof. Otto Eckstein, of the department of economics, of Harvard University; Prof. Jewll J. Rasmussen, department of economics, University of Utah; Prof. Horace M. Gray, department of economics, University of Illinois; and Prof. Paul A. Samuelson, of the department of economics, Massachusetts Institute of Technology. Each of these gentlemen have come here at the request of the subcommittee with the assurance that their expenses would be paid. I propose to see that we can get the benefit of their views. Accordingly, I have arranged for a tape recorder to take down the results of the discussion this morning and I have asked each of the gentlemen concerned to leave with us a written statement of their views on the pending legislation, S. 986, in order that these views may appear as an exhibit in the record at a later date.

Gentlemen, let me express my pleasure at your being here this morning and at your willingness to cooperate in this somewhat informal

procedure. I will ask Prof. Otto Eckstein, of the department of economics of Harvard University, to make the first statement. Professor Eckstein, I see that you have here a prepared statement which will be placed in the record at an appropriate place, and I'll ask you if you will proceed in your own way.

Professor ECKSTEIN. Thank you, Senator Clark, for inviting my views on S. 986.

STATEMENT OF PROF. OTTO ECKSTEIN, DEPARTMENT OF ECONOMICS, HARVARD UNIVERSITY

Professor ECKSTEIN. I thank the committee for inviting my views on S. 986 and I hope that the committee will find my statement useful in its important deliberations. I shall first discuss the general business outlook and its implications and shall then discuss the particular program in the light of various economic criteria.

THE NEED FOR ADDITIONAL ACTION IN THE FACE OF THE CURRENT UPTURN

Virtually all observers agree that the economy has passed its lower turning point in the current recession. Business orders and sales have started to increase, production is rising, and the gross national product in the second quarter promises to be substantially above the low point in the first quarter of this year. The discussion now is concerned with the general pattern of recovery and the prospect of returning to full employment within a reasonable period of time. In terms of the current dollar gross national product in the last quarter of this calendar year, a reasonable range of expectations today would span from \$520 to \$535 billion, with the latter result assuming a particularly strong recovery in the purchases of consumer durables, a substantial rate of inventory investment, continued high net exports, rising Federal and State and local government purchases, and a substantial recovery in housebuilding and in plant and equipment investment. This pattern of development would constitute a very rapid recovery, and would mean the previous peak output would be surpassed by midyear.

Yet even if this pattern were to occur, the unemployment problem would not be solved. A gross national product of \$535 billion would involve a rate of seasonally adjusted unemployment of 5.5 percent or more; and if the final answer proves to be near the lower end of the specified range for GNP, unemployment may be a whole percent higher. Further, the rate of unemployment will be symptomatic of the existence of widespread idle plant capacity.

THE PRICE OF SLACK

If it were merely a question of getting the unemployment rate down to satisfactory levels a few months earlier or later, it might be a serious matter from a humanitarian point of view, but might not be alarming on strictly economic grounds. However, the economy pays a high price in lost growth with every month of continuing slack. First, with profits lower and capacity excessive, the level of investment is reduced. Second, the size of the labor force grows less rapidly in the absence of ready job opportunities, workers retire earlier, fewer households have a second working member, summer job opportunities for students

are scarcer, and so on. Third, the rate of increase of productivity is slowed as workers tend to drift into nonmanufacturing jobs in retail trades and miscellaneous services. Fourth, and perhaps at this time most important, the workweek may permanently shrink in several industries as unions, in a defensive move, seek to maintain more jobs by shorter hours. If the standard workweek should shrink, it would be a loss which would not be made up by any subsequent recovery.

THE RISKS OF POLICY

Now economic forecasting is still subject to considerable error and it is impossible to avoid running risks of generating inflationary pressures or of keeping unemployment excessively high. It is always possible to create a set of hypothetical circumstances in which any particular policy proves to have been a mistake.

But in this particular instance, with the economy so distant from its full potential, the risks of running into general inflationary pressures through expansionary policies are remote. Of course, some price and wage rises of an inflationary sort can occur even in the presence of general slack, but if we allow that hazard to preclude vigorous policies, we condemn ourselves to a permanently unsatisfactory state of employment. More properly, we have to deal with such specific sectoral problems with tools designed especially for them. The President's labor-management conference is one promising tool for reducing this sort of inflationary risk.

SOME CRITERIA FOR EVALUATING ALTERNATIVE EXPANSIONARY PROGRAMS

Reversibility: Since the program of S. 986 automatically halts authorization when unemployment drops to 4 percent and most projects are meant to have a construction period of less than a year, expenditures under the program should taper off shortly after the 4-percent level is reached and should stop within a year or so. In terms of typical business cycle experience, this would mean that the program would continue through a substantial part of a typical prosperity phase. If reversibility is really a serious concern, the program should begin to taper off at a higher level of unemployment than 4 percent.

Is the program intrinsically worth while? Given the inadequate tax base upon which State and local expenditures are financed, there is a substantial backlog of projects that local governments would consider worth doing if more favorable financing were available. No doubt, schools and local streets would loom large among the projects to be done and it is my judgment as a citizen that more needs to be done in these areas, quite apart from any recession circumstance. It must also be kept in mind that the real cost of doing projects is less when resources are idle and that this is a good time to undertake some projects which might not be completely justified in periods of full employment.

An efficient deficit: Deficits create debt management problems and add to the future interest cost of the Government which has to be financed by taxes. Large deficits also pose a psychological hazard to our international balance of payments. Thus, it is important that

every dollar of deficit have a large expansionary effect on the economy. A tax cut designed to stimulate consumption would, in my opinion, have a bigger effect on the economy, dollar for dollar, than this program, particularly since inevitably some of the expenditures will replace expenditures that would have been made by State and local governments. But against this disadvantage must be weighed the improvement in State and local finances that would result from the program; it may reduce the deficits of State and local governments or even lead to smaller tax increases at those levels. Thus, the effectiveness of the program must not be wholly judged by the additional spending it generates.

Impact by industry: Most of the direct impact of the program will fall on the construction industry. This industry has not experienced much growth lately; its output in 1960 was no higher than in 1955, that is, it has experienced no growth whatsoever in total in the last 5 years. The rate of unemployment has been high, far above the average for the economy, although this, of course, is seasonal. Thus, from this point of view the impact by industry is favorable.

On the other hand, the inflationary hazard in this industry is also quite considerable. Its prices in the last 10 years have risen more than most; despite the moderate level of activity, hourly wage rates rose by 4.5 percent from February 1960 to February 1961 (the most recent figure available) from \$3.33 to \$3.48 an hour. Average weekly earnings rose from \$114.22 over \$122.84. Construction prices rose only a little bit, but if the industry should become more prosperous, the profit squeeze will be ended by industry raising prices. Thus, if the industry is to benefit from a large expansionary public works, the Government will have to have more concern with price and wage developments.

Impact by region: The impact of the program would occur in many regions. In the present situation this is desirable, since in all but nine States insured unemployment was above 5 percent in the middle of April. (The exceptions were Colorado, 4.1 percent; Hawaii, 3.1 percent; Iowa, 4.1 percent; Kansas, 4.9 percent; Nebraska, 3.8 percent; South Dakota, 3.5 percent; Texas, 3.9 percent; Utah, 4.7 percent; Virginia, 4.2 percent; and the District of Columbia, 2.6 percent.)

Is the program adequate for the job at hand: It is difficult to forecast the extent to which localities will avail themselves of the opportunities of this program. I think it would be overly sanguine to expect that all of the \$300 million of authorization would be expended in a period of 18 months to 2 years. Thus, it would be foolish to rely solely on this program to assure the expansion of demand in the economy. At best, it can be no more than a modest part of a larger program. It is certainly not an alternative to a tax cut.

Relation to alternatives: In relating S. 986 to other expenditure programs, presumably programs for defense, space, foreign aid, etc., will have been formulated prior to this program so that it cannot be considered as a competing demand for funds. As for other expenditures, particularly in the public works field, the program has the considerable advantage of concentrating on smaller projects which can be built rapidly and of having a strong reversibility feature which makes it more likely that it will not lead to permanently higher expenditure levels.

The big question, of course, is whether a temporary tax cut would not be a more desirable way of stimulating the economy. In terms of industrial impact and probably from the point of view of the desirability of the results of the expenditures, it would be preferable, in my opinion, to leave the money in private hands. The slow growth of purchasing power of recent years has affected consumers, as it has affected governments. Probably the money would be spent more promptly; the expansionary effect could be larger and more easily predictable.

Many arguments have been advanced against a temporary tax cut which I need not repeat here. Perhaps the most convincing of these is to have the Federal Government cling to its tax base for another year in order to give a little elbow room for tax relief as a part of a general structural reform of the tax system next year. But we should be clear that from the point of view of assuring a reasonably rapid return to full employment, there is no other policy instrument which is as powerful or as sure as a temporary tax cut.

CONCLUDING NOTE—WHAT IS PRACTICAL?

If past experience is any guide, most programs with an expansionary effect, whether this one or a temporary tax cut or some other, will be ruled out on various "practical" grounds. As a result, as has been true in most of the period since World War II, fiscal policy will not be used with sufficient vigor. With monetary policy constrained by international considerations, the total economic policy will be inadequate. What people forget is that there is nothing particularly practical about a condition of slack in the economy. Another year of unemployment above 5 percent will not only cost us vast amounts of current output and a loss of investment, it will increase the pressure for a shorter workweek to spread the work, it will harden the resistance of unions to technological innovations which are labor-saving, and it will slow the rate of productivity advance that keeps our products competitive abroad.

Senator CLARK. Thank you very much, Professor Eckstein. Our next witness is Prof. Horace M. Gray, of the department of economics, University of Illinois.

STATEMENT OF PROF. HORACE M. GRAY, DEPARTMENT OF ECONOMICS, UNIVERSITY OF ILLINOIS

Professor GRAY. For many years I have been interested in the institutional processes of capital formation and the organizational system by means of which new capital is brought into being and allocated among alternative fields of employment. Within this context, I have been especially interested in the allocation of new capital as between the public and the private sectors of the economy.

Although, for purposes of analysis, we distinguished between the private and public economies, our mixed system in practice admits of no such rigid dichotomy. Actually, the two sectors make a common whole; they are functionally interrelated and mutually interdependent; neither can flourish unless the other be in healthy condition. The problem, then, is to maintain a proper balance between them by insuring that over time new capital is allocated between

private and public investment in proportions calculated to maximize the productivity of the entire economy. In our system this is a proper and necessary responsibility of the Federal Government.

During the postwar years, 1946-60, the Federal Government has been derelict in the exercise of this responsibility. That is, it has failed to maintain a satisfactory balance between private and public investment. On one hand, it has stimulated, by various artificial devices, an abnormal boom in private capital formation while, on the other, it has failed to direct adequate capital into the public sector. This misallocation of capital has produced a serious imbalance in our society—too much private investment, too little public investment—surplus capacity and wasted resources in the private sector, glaring and crippling deficiencies in the public sector. This imbalance impairs both the operational efficiency of the economy and the fiscal capacity of the Federal Government to correct the situation.

Over the 15-year period 1946-60, public investment, at all levels of government and in all categories other than military, absorbed about 15 percent of the total new capital invested in the United States. The remaining 85 percent, exclusive of military, of course, moved into the private sector of the economy. Had the public economy, in 1946, been amply supplied with facilities, including some margin for growth, this 15 percent-85 percent allocation might have sufficed to maintain the two sectors in reasonable balance during the 15 postwar years. But such was not the case. The public economy at that time, that is, in 1946, had no surplus capacity; in fact, it was desperately short of facilities due to the cumulative effects of the great depression and World War II. Thus, its allotted share of new capital after the war proved to be grossly inadequate in terms of the rapidly expanding needs.

The story was quite different in the private sector of the economy; here the Federal Government intervened with policies which provided powerful artificial stimulants for private capital formation. Among these the following were of major importance:

1. Inflation.
2. Toleration of private monopoly.
3. Defense and foreign aid spending. I refer there not to the amounts but to the waste connected with it.
4. Subsidies and privileges for private business.

Without examining in detail the operation of these artificial stimulants' suffice it to note that they had one common effect—they all transferred mass purchasing power from the people generally, whether as taxpayers or consumers, to favored or strategically situated private business interests. The latter used a considerable portion of the funds thus transferred for new capital formation. The plenitude of funds at their disposal and the attractive prospects for abnormal profits caused them to step up the rate of investment beyond the level that would have obtained under normal competitive market conditions.

The end results of this artificial private capital boom have not been wholly satisfactory. Much of the capital has been dissipated in inflation of property values; much of it went into excess capacity; some of it was used to achieve or to protect monopoly positions; some of it, as Galbraith has shown, was frittered away in the service of arti-

ficially induced consumer wants; a considerable portion of it was invested overseas in already highly industrialized areas. A collateral effect was to generate inflationary pressures in the capital goods, materials, and construction industries.

The conclusion is inescapable that the Federal Government over the last 15 years has been seriously remiss in respect to its responsibility for control of the vital process of capital formation. By failing to support the public economy adequately and by stimulating artificially private capital formation it has created a grave imbalance between the two sectors, promoted a gross waste and misallocation of scarce resources, and in the process has seriously impaired its own fiscal integrity and capability. Now both sectors of the economy are in bad shape; the private economy is plagued with excess capacity and inflated overhead costs; the public economy is desperately short of facilities to meet current and prospective needs.

Clearly the public economy needs to be strengthened by a massive infusion of new capital. We need to plan for a large-scale, sustained public investment program adequate to meet projected needs a generation hence. Temporary, emergency, makework expedients will not suffice; public investment is necessary to meet human needs, not to make jobs, or to stimulate private business, or to create purchasing power. Neither should we temporize with the dishonest, self-defeating, socially disastrous technique of inflation to finance public capital formation. Public investment should be recognized as a necessary, legitimate element in our national life, properly entitled to a prior claim upon our resources. This claim should be met by an orderly, systematic allocation of capital as between the private and public sectors of the economy according to prevailing needs. The fiscal and monetary powers of the Federal Government are ample for this purpose if used intelligently. It can be done without resort to inflation. Then I have some brief comments on S. 986 and I have enclosed there a copy of a letter which I wrote to Senator Clark. I think I shall dispense with the reading of that.

In light of the above observations with respect to the principles which should govern public investment it is obvious that I entertain mixed feelings with respect to S. 986. This is the view which I expressed in a letter to Senator Clark, under date of April 12, 1961, a copy of which is hereby included in my statement.

(The letter referred to follows:)

DEAR SENATOR CLARK: In response to your request of April 7, 1961, for comment on S. 986, the Emergency Employment Acceleration Act of 1961, I submit the following observations.

My general position is that the United States needs—over the next 25 years—a very large investment in the public sector of the economy to overcome accumulated deficiencies and to meet anticipated future requirements. Such investment is urgently needed at all levels of Government—Federal, State, and local, I have estimated that exclusive of defense outlays, we might advantageously invest some \$40 billion per year for the next 25 years in building up, expanding, and enriching the total public economy. This would call for an annual rate of public investment approximately four times the average annual rate since World War II.

Obviously, a sustained public investment program of this magnitude—or one even approaching it—will require a massive reallocation of resources. The necessary resources are available in the economy and could be mobilized for this purpose if appropriate action were taken on several relevant fronts, such as:

1. Economies in defense and foreign aid.

2. Eventually, it is hoped, a reduction of armaments based on international agreement.
3. Elimination, or reduction, of subsidies to business and agriculture.
4. Elimination, or reduction, of private market power and its monopolistic pricing.
5. Elimination, or reduction, of excessive stockpiling, both civilian and military.
6. Closing of tax loopholes, by means of which billions of dollars of personal and corporate income escape taxes.
7. Public control of wasteful, unnecessary, and speculative investment in the private sector of the economy.
8. Improved procedures for mobilizing and channeling private and institutional savings into such public works as by their nature may be self-liquidating.

An expanded public investment program need not, and should not, be financed by inflationary methods, such as "deficit financing," creation of new money, or the issuance of debt obligations for non-self-liquidating public works. Rather, it should be financed by taxation (for the non-self-liquidating portion) and loans (for the self-liquidating portion). Resort to inflationary methods, with all their attendant evils, is a confession of failure—that we lack the intelligence, courage, and sense of responsibility to do the job honestly.

Consistent with these views, I am not disposed to favor temporary, emergency public works as a "pump priming" venture, or as a "make work" device, or to "stimulate" private business, or to "create" purchasing power through issuance of new money. Public investment, in my view, is such a vital and decisive factor for the general welfare that it should be undertaken on its merits to meet the basic needs of our people, not to compensate for the vagaries and instability of uncontrolled private enterprise. A sustained and properly financed public investment program on a scale commensurate with our needs over the coming generation would not only enhance greatly the general welfare but would operate as a powerful stabilizing factor in an otherwise unstable national economy.

From the above, it follows that I entertain mixed feelings about S. 986. The needs of the States and local governments for essential public facilities are very great and very urgent, and their financial capacity, in many instances, is inadequate to meet these needs. The plight of the unemployed in many areas, particularly in the industrial centers, is acute and positive action to find useful employment for them is essential, both on humanitarian and economic grounds. The grant-in-aid principle is a time-honored device for extending Federal assistance to State and local governments. It was used widely and successfully for the financing of public works during the great depression, and for many types of public facilities in subsequent years. The 45-percent grant, exclusive of land acquisition costs, is defensible both as a national contribution and as a stimulus to State and local action. On these grounds, then, I would be favorably disposed toward the plan contemplated in S. 986.

On the contrary, it has serious shortcomings. The amount of money stipulated for grants (\$500 million firm and an additional \$500 million contingent) is inadequate to sustain a program of the magnitude required, whether measured by State and local needs or by the extent of the unemployment problem. The temporary character of the program—its projected termination when unemployment falls to a national level of 4 percent, "by the time the private sector of the economy has recovered from the recession"—is not a solid foundation for the kind of sustained, long-range public works program that this country needs. Many communities, I daresay, would find it extremely difficult to plan and finance the kind of public facilities most urgently needed under this temporary, emergency arrangement.

In addition, the financing of the proposed Federal grants, whether the original \$500 million or the potential maximum of \$1 billion, is open to criticism. Even without this program the Federal budget promises to be in substantial deficit for fiscal 1961 and fiscal 1962. The addition of the grants contemplated in S. 986 will only increase these projected deficits and create more inflation. Our experience over the past 30 years with deficit financing and its attendant inflation should have demonstrated that this is not a sound method of financing public necessities. We need a public works program and we need to put the unemployed to useful work, but we don't have to resort to inflation to attain these desired ends.

In my judgment the first order of business should be to reorganize the Federal finances, on both the expenditure and revenue sides, as indicated above. If this were done the Federal Government would then have ample resources with which to support the public economy. It could then initiate a public investment program commensurate with present and prospective needs. The execution of such a public investment program would provide job opportunities sufficient to absorb the unemployed who can find no place in private industry. In the absence of fiscal reforms, however, the Federal Government will continue to flounder in a sea of futility, unable to meet all its legitimate responsibilities and driven in desperation to rely on the cruel and socially destructive technique of inflation to mobilize the resources it must have to keep the economy afloat.

While the course of action suggested above is difficult, unpopular in certain quarters, and perhaps politically impossible under the present state of public opinion, it is economically sound and essential for the long-range welfare of the Nation. It would be my hope, therefore, that the Congress work out a permanent, comprehensive program of public investment rather than settle for a temporary, emergency scheme, such as S. 986, which does not meet the long-range needs of our expanding economy.

Very sincerely yours,

HORACE M. GRAY, *Professor of Economics.*

It is relevant to S. 986 to consider what the administration is proposing in such areas as:

1. Education.
2. Housing.
3. Slum clearance.
4. Urban redevelopment.
5. Stream pollution.
6. Highways.
7. Natural resources.
8. Depressed areas.

These recommendations indicate a laudable awareness of existing deficiencies in the public economy and the intent to expand investment in these selected areas. S. 986 is consistent with this policy; it provides a means whereby State and local governments can augment their construction programs in other essential areas.

Much as these new public investment programs are needed it is disturbing to note that no financial provisions are being made to mobilize the required resources. The implication, therefore, is that all this new capital, including the grants under S. 986, is to be secured via the inflationary process of deficit financing. This is certain to arouse widespread and powerful opposition, and to discredit the whole cause of public investment—not on its merits but on the demerits of its financing. The way to avoid this, and to confine the argument to the real issue of public needs and social values, is to reform the fiscal system so that sufficient revenue will be available to sustain an expanded investment program.

Now it may be said that S. 986 is not necessary because of the other. I don't believe this myself but what is done in the other field is obviously relevant to what needs to be done in S. 986. As I pointed out in my letter, the amount of money involved in S. 986, it seems to me, is at best a mere beginning. It's quite inadequate considering the national situation. I think that all the money there could be spent in the city of Chicago, advantageously. So it's not in itself a national program and the question of how much money might be allotted for an adequate S. 986. It depends in part on what's done in these other areas and I'm at a loss to estimate what the total may look like when action is completed on all these other programs.

Senator CLARK. We're a lot closer, Professor Gray, to putting you in a position to make such an estimate than we were 3 months ago. In my judgment the measures in these areas are pretty well on their way to enactment. In terms of depressed areas bills already enacted, the aid to education bill will be through the Senate next week; so will the housing bill. I don't know whether you are including unemployment compensation as a factor. It isn't really capital formation.

Professor GRAY. No, I would not include it.

Senator CLARK. I don't see anything else except space and military expenditures and health expenditures with respect to all three of which we got a pretty good idea now where we're going.

Professor GRAY. I would be glad to see how that total shapes up. I want to make just one more additional statement. I am somewhat disturbed that no financial provisions are being made to mobilize national resources for the kind of program I am talking about. The implication therefore is that all this new capital including the grants under S. 986 would be secured by the inflationary process of deficit financing. This is certain to have widespread and powerful opposition and to discredit the whole cause of public investment not on its merits but on the demerits of its financing. The way to avoid this and to confine the argument to the real issue of public needs and social values is to reform the fiscal system so that sufficient revenue will be available to sustain an expanded investment program. Already attacks are being launched against not only S. 986 but other capital investment programs on the ground that they are inflationary and that no plan is being made to finance them on a noninflationary basis.

Senator CLARK. Let me interrupt to say that I agree with you thoroughly and I hope when the other two statements have been completed, we can have a round table discussion on it. I gather that you and Professor Eckstein are not entirely in accord and perhaps we can develop it more fully after the other two gentlemen here have had a chance to express their views.

Professor GRAY. As you know, I have worked on the Ways and Means Committee study of tax reform and I am rather disappointed that the recommendations of that study have not been carried out because I have the feeling we're faced here with a long-range program looking a full generation hence and we've got to rearrange our financial structure so that we can do the job. Thank you.

Senator CLARK. Thank you very much, Professor Gray. Our next witness is Prof. Jewell J. Rasmussen of the department of economics of the University of Utah and let me say to you, sir, that we certainly are pleased that you have come to give us some help on these problems.

Professor RASMUSSEN. Thank you, Senator Clark. I am very appreciative of the opportunity to come and present my views because I have a very strong personal interest in this sort of thing and I am very glad therefore doubly to present this testimony.

Senator CLARK. Could I interrupt for a moment, Professor Rasmussen, to introduce Senator Case of New Jersey who has been very active in this subcommittee's hearings.

STATEMENT BY PROF. JEWELL J. RASMUSSEN, HEAD OF DEPARTMENT OF ECONOMICS, UNIVERSITY OF UTAH

Professor RASMUSSEN. The subcommittee has asked (1) whether or not additional fiscal measures are necessary or desirable at this time to restore a healthy rate of economic growth and a more satisfactory level of employment, and (2) whether S. 986 is an appropriate fiscal measure toward this end, and (3) for some comments on specific provisions of the bill. I shall discuss these three questions in this order then.

Although this bill emphasizes the emergency, short-run aspects of the unemployment problem, I should like to include in my testimony some general and long-run considerations with respect to both unemployment and the acceleration of capital expenditures by State and local public bodies. I think it is necessary to give consideration both to the large amount of unemployment in the current recession and to the increasing level of unemployment that prevails between the post-war recessions.

NECESSITY OR DESIRABILITY OF ADDITIONAL FISCAL MEASURES

I became convinced in 1958 that, barring a major increase in the level of expenditures for national defense, excess capacity in American industry might generally prevail and that the task of holding unemployment down to a tolerable level would not be an easy one in the years ahead. Unfortunately, the performance of our economy in recent years supports this viewpoint. Since the performance of the economy—both past and potential—has been studied intensively by the Joint Economic Committee of the Congress, I should like to call attention briefly to several of the pertinent findings of this study as given in the recent staff report¹ as a frame of reference for my comments. With respect to the slowing down of the economy, the report concludes as follows:

Recently, the economy has slowed down. The chief manifestations are:

- (1) The growth of real gross national product has decreased since 1953.
- (2) Unemployment rates in recent years have been higher than those of the early postwar period.
- (3) Productive capacity has been increasingly underutilized.
- (4) An increasing proportion of the labor force is being absorbed by low-wage sectors.
- (5) The rate of increase of productivity has slowed (p. 67).

Several of the summary statements pertaining to the problem of unemployment are as follows:

The United States is not threatened at the moment (December 1959) with massive unemployment. Nevertheless, it has serious labor force problems. Unemployment is high for the present stage of the business cycle. It is particularly severe in several chronically troubled areas and in some industries * * *.

Perhaps even more disturbing is the fact that a gradual trend toward a rising average rate of unemployment is revealed by the record of the last several

¹ Staff report on "Employment, Growth, and Price Levels," prepared for consideration by the Joint Economic Committee, Congress of the United States, Dec. 24, 1959.

business cycles. Associated with this has been a substantial increase of unemployment of long duration in the last few years.

It would indeed be unfortunate if these trends were regarded with complacency merely because they do not directly affect the majority, and the more prosperous and vocal groups in the population (p. 161).

Even in times of high prosperity, however, the problem of unemployment is more serious than it appears on the surface * * *.

About 50 percent of unemployment even in good times is thus in the category of persons who have been separated involuntarily and who may experience more or less trouble finding new jobs. Among these are found most of the persons unemployed for considerable periods of time (p. 165). [Italic in the original.]

Unfortunately, evidence is accumulating that the problem of unemployment is a growing rather than a receding one. Employment did not respond as vigorously after the last recession as after the preceding two postwar recessions, particularly in manufacturing (p. 170). [Italic in the original.]

Specific areas will continue to present grave problems. Nevertheless, persistent unemployment may become more of a general problem and less a problem of specific depressed areas in the future than it has in the past. Long-term unemployment may become more widely diffused throughout industrial centers. This will certainly be true if the country does not maintain a higher rate of growth of demand than in the past few years. Unless there is a steadily expanding labor market, it will be impossible to absorb workers displaced by machines and technological progress in general (p. 182).

The unemployment ratios, seasonally adjusted, computed by the Department of Labor, show that unemployment was about 3 percent of the civilian labor force in 1951 to 1953. The ratio rose to 6 percent in the 1953-54 recession, and declined to a level of about 4 percent in 1956 and 1957. In the 1957-58 recession, the ratio reached a peak of 7.5 percent, but declined to a low of only 4.8 percent and has remained at 5 percent or above most of the time since then. During the past 5 months, as we all know only too well, the rate has held steady at 6.8 percent.

As this record shows, our economy seems to be developing a pattern of frequent, relatively mild recessions with a higher level of unemployment remaining in each recovery period. I believe that the trend of economic events in the next decade, again assuming no large increase in military or national defense activities, will increasingly aggravate the problem of unemployment unless steps are taken to offset these events.

It will be remembered that the recent special task force headed by Prof. Paul A. Samuelson, for President Kennedy, on the state of the American economy referred to the economy as "sluggish and tired" in recent years, with the current recession being superimposed on an economy suffering from chronic slackness. The report states:

Prudent policy now requires that we also combat the basic sluggishness which underlies the more dramatic recession. In some ways a recession imposed on top of a disappointingly slack economy simplifies prudent decisionmaking. Thus, certain expenditure programs that are worthwhile for their own sake, but that inevitably involve a lag of some months before they can get going, can be pushed more vigorously in the current situation because of the knowledge that the extra stimulus they later bring is unlikely to impinge upon a recovery that has already led us back to full employment.¹

Hence, because we seem to have both chronic slackness and recession-bred unemployment, there is ample justification and need for undertaking fiscal measures such as S. 986, which will generate additional demand, purchasing power, and employment. Getting the unemployment ratio down from the intolerable rate of 6.8 percent to the target or

¹ Text as published in the Wall Street Journal, Jan. 6, 1961.

“full employment” rate of 4 percent, and holding it there will be no easy task—judging by the performance of the economy since 1957. Current estimates indicate that the best we can hope for this year is to bring the unemployment rate down to about 6 percent by the end of 1961.

A word of caution, however, might be added. I am not an economic forecaster, but some of those who do specialize in this field suggest that a healthy boom could develop in the forefront of 1962. Should S. 986 become law, those administering the act would need to be alert to all signs indicating the speed and possible extent of the recovery. The anticipated boom conceivably could bring the unemployment rate down near the goal of 4 percent. However, I would be greatly surprised if this should happen. The hard core of structural unemployment is not likely to shrink to a tolerable level without much help. Nevertheless, preparedness and flexibility are necessary requirements at all times in the administration of fiscal policy.

APPROPRIATENESS OF THE PROPOSED PROGRAM

I regard State and local government capital expenditures as one of the most useful types of fiscal measures that can be undertaken. In the first place, these expenditures will provide jobs where most of the unemployed are—in the communities throughout the entire country (excluding in this generalization the depressed areas which require special treatment due to the serious problems of the basic industries in these areas). Large Federal projects often do not correspond too well with the location of the unemployed.

Also, the types of public works named in S. 986 will certainly provide a very high return in social services per dollar expended. As a small example of an exceptionally high social return, I can name the recreational facilities built by the CCC camps back in the 1930's in the canyons near the cities and towns in Utah. Thousands of people have benefited for 25 years from these low-cost facilities.

It is perhaps not amiss to note that the provision of adequate public parks and public recreation facilities is a relevant factor in President Kennedy's program to mobilize the Federal Government's resources to help local communities fight the spread of juvenile delinquency.

More important perhaps is the fact that in many communities in most of the States there is still a significant deficiency in essential capital goods due to the lag in construction that occurred during the great depression of the 1930's and the war decade of the 1940's. Many State and local governments—particularly where population is growing rapidly—are having a real struggle to keep abreast of rapidly rising current demands while still trying to make up the backlog of needed capital facilities.

As an illustration, let me cite the situation we faced in Utah this year. The various institutions under State administration requested funds for buildings and equipment totaling \$51.2 million. The State building board made the following recommendations for these institutions for 1961:

Critical.....	\$20, 753, 000
Urgent.....	8, 623, 000
Needed.....	14, 646, 000
Desirable.....	6, 931, 000
Total.....	50, 953, 000

For the decade of the 1960's the board made the following recommendations for each of the five biennial periods:

1961-----	\$50,953,000
1963-----	19,408,000
1965-----	14,454,000
1967-----	18,361,000
1969-----	9,581,000
Total-----	112,757,000

For the above requests and recommendations, the 1961 legislature appropriated a total of \$10,358,000 from the State general fund and authorized the State board of loan commissioners to borrow an additional \$4,289,000 from various State reserve funds to be repaid from future appropriations. The total of \$14,647,000 was less than 75 percent of the amount recommended by the State building board as "critical" and only 29 percent of the total recommended for 1961.

In addition to the above, the district schools have been working vigorously for several years to establish a permanent program of State aid for local school construction. Emergency aid has been provided by the State for several years.

On the community level, as an example, Salt Lake City has been trying for several years to launch a capital improvement program of \$30 to \$40 million to provide badly needed sewage facilities, garbage disposal plant, police and fire protection facilities, public library, general office building, street improvements, etc.

If my own State is a typical one, it should be easy then to agree with Galbraith that

* * * we must find a way to remedy the poverty which afflicts us in public services and which is in such increasingly bizarre contrast with our affluence in private goods.

And also that

* * * there are large and readymade needs for schools, hospitals, slum clearance and urban redevelopment, sanitation, parks, playgrounds, police, and a thousand other things. Of these needs almost no one must be persuaded. They are unavailable only because, as public officials of all kinds and ranks explain each day with practical skill, the money to provide them is unavailable.¹

The grants to State and local governments proposed in S. 986 would not only help to provide some of the money badly needed but would also stimulate the States and communities to make greater effort.

The proposed Federal grants in S. 986 to State and local governments for acceleration of capital outlays have another aspect that is very appealing to me as a public finance economist, viz, the equalization aspect.

Even though the grants are not differential but are uniform, they will have a significant equalization effect. Since most of the Federal tax revenue is derived from personal and corporate income taxes, the relative tax contribution varies greatly among the various States. This situation is evidenced in part by the wide differential among the States in per capita personal income, ranging in 1960 from \$3,000 in the District of Columbia to \$1,190 in Mississippi. Under these conditions, even uniform grants will have important equalization effects.

¹ John Kenneth Galbraith, "The Affluent Society," Houghton Mifflin Co., Boston, 1958, p. 308.

There are strong equalization effects now, for example, in the welfare and highway programs. This will also be true if and when general Federal aid to education is adopted. With ever-increasing pressure on States and communities for funds, Federal grants for capital outlay will be fiscally desirable.

One cannot, of course, advocate new spending programs without giving serious consideration to the budgetary aspects of the program. On this matter, three things might be said. In the first place, and most important of all, we must do whatever is necessary to reduce unemployment to a tolerable level. High temporary unemployment or a persistent amount above a reasonable level of unemployment can sap the vitality of our economy and endanger the political and social structures of our democracy.

Secondly, many of the facilities named in S. 986 have a high priority among the various demands upon our income. The maintenance of a healthy economy requires a heavy investment in a number of community facilities. This is one basic reason why State and local governmental expenditures are steadily rising and will likely continue to rise rapidly in the next decade. For example, Fortune has estimated that State and local expenditures could rise to \$85 billion by 1970, or double what they were in 1957, and that investment in public works will rise from 3 percent of GNP in 1957 to 4 percent in 1970.¹

Finally, the argument advanced by Bator,^{1a} Hansen,² and Galbraith³ is quite persuasive that with increasing real income per capita, greater spending on public goods—particularly of the kinds named in S. 986—is fully warranted. Personal consumption can also be rising, of course, but the argument is that many government services might well increase equally as fast or even faster than private consumption because of the greater contribution of many State and local services to the general wellbeing of the people.

COMMENTS ON SPECIFIC PROVISIONS OF THE BILL

I shall conclude with a few brief comments on several specific provisions of the bill. First, the 12-month limitation on completion of projects may be in some respects an unnecessary restriction. How necessary it is will depend largely on the prospects of reducing the unemployment ratio to the target rate of 4 percent. The rate has been 5 percent or more since 1957; there is general agreement that there is now considerable structural unemployment in the United States; and the forces producing this type of chronic joblessness—technological changes and automation—are likely to continue for some years to come. Under these conditions, the 12-month limitation would serve little purpose. I do not contend, of course, that the completion time should be several years, but a period that is a few months longer might prove to be more useful at least in many cases.

As an emergency measure, the bill may not accomplish as much as desired. Because most of the State legislatures have already met this year and have decided their biennial budgets—including capital out-

¹ Gilbert Burck and Todd May, "The Good Uses of \$750 Billion," *Fortune*, April 1959.

^{1a} Francis M. Bator, "The Question of Government Spending," Harper & Bros., New York, 1960.

² Alvin H. Hansen, "Economic Issues in the 1960's," McGraw-Hill, New York, 1960.

³ Galbraith, *op. cit.*

lays—there may be some difficulties in getting a “net increase in the current annual level of capital expenditures” in some States. I suspect that a number of States might have to call special sessions of the legislature in order to qualify for the Federal grants—to authorize acceptance of the grants and to authorize construction of additional facilities. Some local governments may find it difficult to qualify because of various State-imposed restrictions and may need implementing legislation from the State. Nevertheless, the qualifying requirement of a net increase in capital expenditures is necessary to achieve the goals of the bill.

I believe that the goal of an unemployment rate, adjusted for seasonal variations, not in excess of 4 percent of the civilian labor force of the Nation is a very satisfactory one. Although the rate averaged around 3 percent in the period 1951-53, a rate this low would be very difficult to achieve and maintain. Technological changes, a rapid increase in the labor supply, and other considerations indicate that a maximum unemployment rate of 4 percent is a reasonable and realistic goal. A large dynamic economy needs this much flexibility. Surprisingly enough, there seems to be considerable support for this rate as the maximum tolerable level of unemployment.

Acceptance of this goal also requires acceptance of the responsibility to take the necessary implementing action to achieve it. As I read the signs, this task will not be too easy in the 1960's. In my opinion, S. 986 would be a most commendable step in achieving this goal and implementing the basic policy established by the Employment Act of 1946.

Senator CLARK. Let me ask you to comment on my view which has been that we probably wouldn't get much expenditure at the State level out of this bill but it would be largely at the county and local level where of course you wouldn't need State legislation if you had any flexibility in local budget.

Professor RASMUSSEN. This is the problem which worries me. To what extent do we have financing ability at the local level and also whether we have a lot of State-imposed restrictions on local governments.

Senator CLARK. We're bringing in next representatives of the American Municipal Association, the Conference of Mayors, the county officials. We hope they'll have some blueprints as to what is available without further legislation. Thank you very much Professor Rasmussen. Our next witness will be Prof. Paul A. Samuelson.

STATEMENT OF PROF. PAUL A. SAMUELSON, MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Professor SAMUELSON. Thank you Senator Clark. May I say at the beginning that I have no official connection with any business, labor or governmental agency, that I speak only for Mrs. Samuelson and myself in testifying here, and I would hope that my brief remarks would constitute a substitute for a statement.

I am generally in sympathy with this bill. I think of it as just one part of a very large package of legislation that is already on its way through Congress, and I think of it as a very modest part of that program. So I do not fully share Professor Gray's concern that this

replace certain very fundamental structural reforms that we should have been doing for a long time and which we haven't been doing; such as, taking proper cognizance of the needs in the public sector which we all have, and giving those needs their proper weight in comparison with private needs that we are fulfilling in our day-to-day spending decisions. I think that this is a desirable part of the present package because although our program thus far promises to be a very good one in quantitative terms it is not quite the optimal amount. It falls short of the optimal amount in my judgment.

Senator CLARK. When you say optimal, you mean the desirable.

Professor SAMUELSON. Yes. I do not think in terms of the recession of 1960-61. That recession I believe is behind us. It almost certainly reached its bottom in the first quarter of the year and we are in an expansionary phase. I also have no reason to doubt that we will be in an expansionary phase in the American economy for the next year, next to 5 or 6 quarters and, in my task force report which Professor Rasmussen so kindly made reference to, the thought at that time was that the recession would end and that expansion would follow. But judging upon a careful study of the quantitative elements in the picture that expansion would not be so vigorous and so quick as to bring us back to tolerably good levels of employment in a quick enough time. Subsequent events I think have definitely confirmed our viewpoint at that time. Things have gone pretty much the way we thought they would, and I see no reason as yet to modify that diagnosis. I very carefully studied other views on that matter. Fortune magazine in April has been more optimistic or has seemed to be more optimistic than the governmental pronouncements. The minority report of the Joint Economic Committee I have studied in very great detail. It seems to lean toward a speech made in Chicago by Prof. Arthur F. Burns, the distinguished president of the Bureau of Economic Research, professor at Columbia University and Chairman of the Council of Economic Advisers in the first Eisenhower administration. He is an old friend of mine; I am a great admirer of him as a scholar and any time that I find my views seeming to be at variance with his, I have an uncomfortable feeling and burn the midnight oil to make sure that I shouldn't move over to his side. So I have studied this speech very carefully.

In a nutshell the debate that is now going on, and we will hear more of it, is whether the Congress from this point on will begin to do too much. Let's make no mistake about it. This has been a very mild recession. But in the past we have had great depressions in this country that have started out as mild recessions. Had we handled (when I say "we" I mean the outgoing administration, and the incoming administration) the events of 1960 in a way that they might have been handled in 1929, there is absolutely no guarantee that we would be in the happy state of being able to say that the recession hit bottom in the first quarter. Very many things have been done by the Government that are important; many things are scheduled for legislation. These have had their impact before the event itself. You have seen this, to take a trivial example in the stock market. The stock market has been booming since October. You may be very sure that if the stock market thought that 1930-31, to say nothing of 1932-33, was ahead of us, we wouldn't have had that experience.

Senator CLARK. Except Professor, we have to remember that's exactly what the stock market did in the spring of 1930. I still know from my own experience.

Professor SAMUELSON. Well, the market never came back to its previous level. It is perfectly true that a professor shared with you that experience in thinking that it had hit bottom in 1930.

Now this particular program adds a certain amount to the package. Considering the most probable developments in the economy, real output in the American economy in the next year probably will grow at about $7\frac{1}{2}$ percent if no further programs are ended. This sounds like a great deal and of course it's more than we could maintain over the average.

But it falls short of the 10-percent rate of growth for the similar period which followed the bottom in 1958 and I believe in 1954, and let's remember that 1959 started out in a brisk way. It never got anywhere. It did not reach tolerable levels of recovery and the most prudent guess this time would be that we will fall 2 percent below that level.

I say this having studied very carefully the Fortune estimates in April and having studied carefully what would seem to be implicit with respect to the GNP estimates of Professor Burns. I must be very cautious here because Professor Burns has not given us GNP figures. I am not sure that knowing his frame of mind he would be willing to enter into that activity of converting things into GNP, so I have constructed a man who has Professor Burns' view and who is willing to put down the numbers that these things correspond to. If I misinterpreted what is implicit in his view—and I want to make very clear that these are my interpretations, not his words—well, if this man who is a surrogate for Burns is right, I believe we can expect that 12 to 15 months after April 1961 we will have achieved full employment.

Senator CLARK. What do you mean by that?

Professor SAMUELSON. That's a quotation from Professor Burns. I have tried to determine what Professor Burns would mean by "full employment". He comments in a number of places about the inadequacies in the present Council of Economic Advisers reports but at no place registers any objection to the 4-percent figure which they use, at least for purposes of illustration, and so for purposes of this illustration, I will interpret "full employment" to mean 4 percent unemployment.

Senator CLARK. Let me interject that I don't think Dr. Heller would like to have it believed that he believed that 4 percent was full employment. As I read what he said, he used 4 percent as a pretty rough figure considerably better than what we had now, a feasible goal for the foreseeable future. I think he would agree with me, based on private talks we've had that we ought to be shooting for 3 percent before we begin to talk about full employment.

Professor SAMUELSON. I suspect you may very well be correct with respect to Dr. Heller. I believe that the council used 4 percent to make its point and it was sufficient to make its point. But since in this particular debate between a former Chairman of the Council of Economic Advisers and a present one, I think it will suffice to use the 4 percent figure by way of illustration so that Professor Burns is of

the opinion that about July 21, 1962 we should expect to reach "full employment," meaning by that a 4 percent unemployment level.

Senator CLARK. As of what date?

Professor SAMUELSON. Twelve to fifteen months after April 21, 1961 which I make out to be July 21 to October 21, but I hope the record will be corrected if my arithmetic is in error. Perhaps he said 15 to 18 months. Now this would require a very substantial increase in the gross national product. It would require an increase in the gross national product considerably larger than that of Fortune magazine. Although Fortune magazine appears to be very optimistic in comparison to the Council of Economic Advisers, it appears to me that at the end of this year, they're only \$5 million more than the Council's own official estimate, less than 1 percent difference.

Taking into account then the fact that inventory decumulation was modest, taking into account that Dr. Geoffrey Moore of the National Bureau of Economic Research finds historically that mild recessions are followed by milder than average recoveries, and admitting that in such milder than average recoveries you get sooner—rather than later—to the previous peak.

I still come out with the same answer, that previous peak was not satisfactory. To get back to where we were in the middle of 1960, as I think we will do well within this year, is not to accomplish anything of any significance. I judge this to be Dr. Burns' view too, because he asserts that the last expansion was a short-lived one, that it was an inadequate one, but his diagnosis for that is based upon three factors: the steel strike, overly tight monetary policy in the Federal Reserve, which (to paraphrase his remarks) caused interest rates to rise more in that phase of the cycle, than they had ever done in a century of National Bureau of Economics history. And finally, and very important for this discussion, there was a catastrophic shift from deficit to surplus.

Senator CLARK. In the Federal budget?

Professor SAMUELSON. The Federal budget, cash budget, on a seasonally corrected basis went from (and I paraphrase Dr. Burns' remarks) a minus 17 billion, a deficit of that amount per annum in the first quarter of 1959, to a plus 7 billion surplus in five quarters by the second quarter of 1960. This is a massive change of \$24 billion due to the budget itself. (Recess for vote.) Now if I thought that the chances were very strong in favor of the view that within 15 months from now the present governmental and private forces in the economy would lead us to unemployment rates in the immediate neighborhood of 4 percent, then I would not come before you favoring this bill in this form at this time. However, putting together all of the various information patterns available to me, my best guess is that given the present governmental program and adding something to that for space and defense, I don't know what magnitude of that would be, but let me say that will not exceed a billion dollars—given that program by mid-1962 and in the last half of 1962 we will still be at least 1 percent from the 4 percent unemployment level. Now 1 percent may seem like a very small figure, but you remember this applies to a 70 billion workman force—you think of what this means in terms of human need and suffering, production loss and the growth potential, and you think of other things that go on at 5 percent rather than 4 percent such as

the length of the working week, the things Professor Eckstein talked about, the moves toward restriction, protective tariffs that we will hear more about, and when you think of that I regard that that is what a Senator and Congressman does all his life on the economic front—is worry about that 1 percent.

To our shame, we have been having to worry about 2 and 3 percent. But I think that we will get to a position where we will be at least to the 1 percent unemployment. That being the case, I think that this particular measure in its quantitative magnitude is a desirable thing. Now if this bill were 4 times as large, at this time I would not come out in favor of it, but given this amount I would be for it.

I'm for it not in the sense that the economy needs to have money poured into it, but like Professor Rasmussen I am very aware of the needs at the State and local level. And I have in mind things like road resurfacing. They can be started very fast; they can be ended fast. Water and sewer systems. Deferred maintenance on public buildings. Things like that—and I think it would be very desirable to have this legislation.

I would also hope there would be flexibility in a few so that there are many programs already taken care of that are not adequately taken care of—hospital buildings, for example—which are taken care of under other programs. There are more requests and needs than we can meet. So I hope that some flexibility could be put into it. I do not share Professor Eckstein's concern that the chokeoff point of 4 percent is a dangerous chokeoff point because we would continue to go beyond that for quantitative reasons. This is a very small program and very desirable things. If they were to continue beyond that point like other important demands let them be there and let our monetary policy and our economic policy generally help to take care of the total load. I don't understand Professor Eckstein's point that these dollars, particularly weak dollars—if I may just read the sentence from Professor Eckstein's testimony—

a tax cut designed to stimulate consumption would in my opinion have a bigger effect on the economy, dollar for dollar, than this program. Particularly, since inevitably some of the expenditures will replace expenditures which would have been made by State and local governments.

I understand everything there but the "particularly." Aside from this expenditure which would have been made by State and local governments, what is weak about these dollars? I would think there is a small presumption that they are a little bit more powerful, dollar for dollar, in terms of gross national product than consumption cuts.

Senator CLARK. You want to comment on that, Professor Eckstein?

Professor ECKSTEIN. Well, if you want to take up that issue, of course our main concern was with the "particularly." Apart from that I was thinking mostly in terms of the speed with which the expenditures would actually occur. And I was also concerned with the predictability.

Professor SAMUELSON. I might also say that I share Professor Gray's desire that over the long run we have the right emphasis in the public sector. And in my judgment that, like everything else, should be financed in the economically proper way. Now the economically proper way does not mean that at this time you must have a perfectly balanced budget and I think that the proper thing can be decided in

terms of the inflationary pressures which would alarm me and worry me as they worry Professor Gray, but also in terms of slackness in the economy.

We are, according to my view, in sight of a balanced budget. I would say that on a quarterly basis, without the optimistic view of Fortune magazine but just taking those implicit in the Council of Economic Advisors' own views, around the first or second quarter of 1962 on a quarterly basis there will be a balance in the budget.

Senator CLARK. Are you talking now of cash inflow and outflow—

Professor SAMUELSON. Well, of either of the three—the cash budget, the administrative budget, or, what I think is really the relevant one for this purpose, the national income account budget. Reverting to Professor Burns, I have studied this massive shift from minus 17 in the cash budget, using his figures, to plus 7 in 5 quarters—24 billion—if that were just some idiosyncrasy that happened in the second Eisenhower administration by bad luck (perhaps because Professor Burns wasn't still there) or by some circumstance, that would be water over the dam and we wouldn't have to be concerned about it. But as I have examined it, exactly the forces that created that massive shift will operate this time, too, and they will put a brake upon the economy because as I made a research study of what happened in that period it turns out that it was primarily the built-in flexibility of our tax system. It was not a real cutback in Government expenditures that caused that. Except for some social security tax increases which went in, this was almost completely the product of tax increases. The same thing is going to happen this time, particularly if Professor Burns is right in his very optimistic view. I want a surplus at the proper time and in the proper amount; I do not want an abortive recovery because we again go into a massive surplus very fast as we go out of the recession.

Senator CLARK. Let me interrupt briefly to introduce Senator Pell who has just entered the room.

I would like to direct your attention to rather pragmatic matters in connection with this bill. And I am going to ask you gentlemen to make a few assumptions which I think are right and which may turn out to be wrong, but please make them if you will.

The first assumption is that the administration has determined to hold the fiscal 1962 deficit to \$5 billion. The second assumption is that anticipated increases in space and military appropriations and other unavoidable (in the administration's point of view) increased expenditures over and above the Eisenhower budget, plus their reappraisal of the Eisenhower budget on what they consider to be a practical basis, have got us to the point where they think that a \$5 billion deficit is now in the wood. They, therefore, are not going to support S. 986 because they think it would add another billion dollars, or at least a half billion dollars, to the deficit. The third assumption I want you to make is that the present tax policy of the administration will not materially affect that deficit in that any closing of loopholes will be offset by concessions in one form or another to new capital investments in the private sector of the economy, which would offset the tax loopholes.

I would like you gentlemen to address yourselves to what, if anything, you would do on the basis of those assumptions. Would you

give up the bill, would you tolerate an increase in the deficit, or would you go for tax reform which would yield a net increase in revenue as opposed to a standoff or in the view of Professor Eckstein a temporary tax cut? That's putting you in a bit of a straitjacket and I know if you don't want to stay there you can get out, but that is the problem which confronts this subcommittee. Shall we press the bill anyway; shall we urge a higher deficit; shall we say we've got to close these loopholes and we can't afford to give as much in terms of tax concessions for investments? You want to start off, Professor Eckstein?

Professor ECKSTEIN. Well, let me make one distinction in your tax alternatives. When I speak of a temporary tax cut I really mean some sort of temporary reduction in Federal income tax rate quite independent of longrun tax reform, either the President's present program or any program which might be advanced next year.

Senator CLARK. It would almost certainly increase the deficit for fiscal 1962; would it not?

Professor ECKSTEIN. A temporary tax cut would.

Senator CLARK. Yes.

Professor ECKSTEIN. Confining my remarks strictly to the economic situation, my first reaction would be that given the analysis that we are far from our potential output, that the prospects for getting unemployment to a tolerable level of 4 percent are quite remote in from 15 to 18 months, I would urge that substantial expansionary moves be taken, including this bill. Now, maybe there is some better program that no one has thought of, but of those things which are seriously on the agenda, what might be done, I think this bill has considerable merit.

Senator CLARK. You would not be concerned if the deficit were more than \$5 billion?

Professor ECKSTEIN. I would not be concerned if the deficit were more than \$5 billion.

Senator CLARK. Thank you, sir. Professor Gray.

Professor GRAY. First let me comment on this matter of the deficit which Professor Samuelson brought up. I think we are not far apart at all on this. I don't object to a shortrun deficit. What I do object to is a longrun deficit. Where you consistently fail to put your house in order then every time the private economy has a sinking feeling we have a deficit and we must make it still bigger in order to relieve human distress. In this kind of system, it seems to me, you are always behind the eight ball. You don't run a surplus when things are good and most always run a deficit when times are bad and the deficit will be larger than it would otherwise be because of the urgent problem of relieving human distress. So from the shortrun point of view the matter of a budget this year doesn't worry me and I don't worry too much about the magnitude of it. Five billion is not going to wreck this country. But I am deeply concerned about the failure to organize a long-range system for financing public capital which always leaves us in the spot when we must do things on an emergency basis for humanitarian reasons and to relieve urgent distress among the unemployed. I am therefore not opposed to a shortrun deficit, but what I am opposed to is a permanent condition where we can never use a truly compensatory approach.

Senator CLARK. Within those limitations would you go ahead with the bill?

Professor GRAY. All right. Now I get back to my real interest, which is human needs and I find it extremely difficult to oppose public works under any conditions. When I know the needs, I have great difficulty in opposing it. And I do know that the needs are very great. I've been in correspondence with Secretary Udall in his area of interest—the natural resource area—and the needs there are very great. And what is being proposed there is grossly inadequate; and I think he is aware of that and everyone who works in that field is aware of it. Some things must go forward there, I think, despite a temporary deficit. And I think when you start from the needs of the people and a distressful financial condition at the State and local level, which are very bad in almost every jurisdiction, then it seems to me that this bill should go forward on its merits, aside from this issue of whether it makes a deficit of \$5 or \$5½ billion or some particular figure this particular year. I don't like to sacrifice what I know to be the real needs of the people.

Last week we had a flood in my State of Illinois. It has done more damage than the amount of money involved in this bill. All this damage could have been prevented if the things that the scientists, engineers, and the agronomists knew what to do had actually been done. It wasn't done; and we haven't yet calculated the amount of damage done. The damage in the southern part of the State will more than offset what they will get out of the depressed areas bill. It's huge. Now, this is the sort of thing I want done, and I wouldn't stop doing it to avoid a shortrun deficit.

Senator CLARK. Thank you, sir. Professor Rasmussen.

Professor RASMUSSEN. I would not be too much concerned, Senator Clark, if it should result in a half-billion dollars more in the deficit. I think priority should be given to two things: reducing the unemployment to an acceptable level, and these kinds of projects which are so much needed. I strongly support the program regardless of what the financial aspects have to be.

Senator CLARK. Thank you. Professor Samuelson.

Professor SAMUELSON. I don't know what the administration would have in mind—if, as you say, they were to come out with the feeling that there could be no more than a \$5 billion deficit. There might be very good considerations in their minds, which would make that optimal policy. I'm not privy to those considerations.

Senator CLARK. Neither am I. I just think that's where they've come out, I don't know why.

Professor SAMUELSON. But just looking at the matter from an academic viewpoint, and considering that we are just emerging from a recession, and considering what I believe to be the case, that the tax capacity of the Federal Government is tremendous, and that it is not a question of Federal spending over the decade threatening to exceed our existing tax revenue. On the contrary, the existing tax rate structure system, if it is not modified, will generate tremendous revenues in this decade if we succeed at getting even halfway the proper amount of growth. Therefore, this is not a matter that we are discussing of a deficit that's a prelude to the fall of Rome, because spending is out of control and revenue is failing and the printing press must be resorted to. It isn't quantitatively or qualitatively of that type at all.

Senator CLARK. How about the balance of payment problem—the general monetary situation as being a red flag against a deficit, above \$5 billion?

Professor SAMUELSON. Well, I think one of the considerations which might be in a person's mind, and I will now go back to January 19 just before President Kennedy took office, you might say we are now no longer masters of our own ship. There is a run on the bank. You can't laugh off Zurich and Frankfurt bankers. You are going to have a run on gold. These men were concerned when President Eisenhower, not because he planned it, ran the biggest peacetime deficit in history of \$13 billion in fiscal 1959. When he prepared the budget in the beginning of 1958 for that period he budgeted for a small surplus. Now if it were January 19 and one tried to decide what the proper compromise between the needs of production in the country and the foreign repercussions, no exact answer could have been given. It would not, though, have been unreasonable to have said, to pick a round figure, \$5 billion won't cause a further run on the bank.

Now a good deal of water has gone over the dam; the international situation has improved. In my opinion, it has not been permanently solved, but the panic aspects of it, wondering whether or not President Kennedy had horns and would put the Chairman of the Federal Reserve System in a circus cage and march him down Pennsylvania Avenue—foreign countries have been disabused of that notion. If \$5 billion was indeed the proper figure then in that context, we certainly have more leeway now. I would think myself that a deficit that was part of a well-thought-out program, not spending out of control, on the magnitude of \$10 billion would not have international repercussions of a serious type. So I wouldn't think myself that \$5 billion was necessarily if indeed it was then, the proper limit.

Just in terms of the economics of the situation, and without regard to the politics, and considering the phase of the business cycle we are in and with the surplus I spoke of ahead, and what I regard to be the very heavy priorities for the public sector, I would think that the optimal deficit—and by optimal I mean that all things considered was about the right size for this fiscal period—would probably be something above \$5 billion. Let's say 7, just for the purposes of illustration.

Senator CLARK. Seven will get the bill in.

Professor SAMUELSON. This doesn't mean that when the fiscal year ends you are going to be running a deficit at that rate. We are running a deficit now because of the inheritance of the past recession, that would be particularly true of the cash deficit. On the national income account basis, (at the end of that fiscal year if you allow for 7 for the whole year, according to almost any of these estimates that we have been talking about, including the allegedly pessimistic one of the Council of Economic Advisers,) at midnight when the fiscal year ends, the budget will be in balance at seasonally corrected annual rate. So we are in the woods, but we are going out ahead, and I would think myself purely economically speaking and not knowing about some political considerations, other than the international repercussions we have talked about, I would not think that \$5 billion was the absolute top.

Senator CLARK. All right, now one more question, then I want to give my colleagues a chance to ask a few questions. In view of what you gentlemen seem to agree about the public sector and in view of the likelihood that on political as distinguished from economic or fiscal grounds, it would be thought unwise to run a deficit as high as you gentlemen would find acceptable, how important do you think, in terms of increasing economic growth, is the President's proposal to give substantial tax credit for new investments in the private sector of the economy. Dr. Eckstein.

Professor ECKSTEIN. It is my opinion that it is very important to give tax incentive for both. Our rate of capital formation is low compared to other advanced countries and has been shrinking. Of course there will be some equity aspects; I think any reform along these lines will be very favorable to business. And since on the whole we are satisfied with our income distribution which results from our tax system, we expect that a tax change of this type will be offset by some other tax changes, so that the equity would not be upset. But I would think that encouragement of private investment is very important.

Senator CLARK. Dr. Gray.

Professor GRAY. I am opposed to it. If you look at the situation realistically I think you will find that there are all sorts of obstacles to private investments other than existing tax rates or existing depreciation practices, or rules. There are many obstacles to private investment, and this proposal, it seems to me, does not get at the roots of the difficulties. I would be much more favorably disposed toward an attack upon what I regard as some of the basic institutional factors that inhibit private investment. I would say that the element of monopoly inhibits private investments much more than the tax system, or the depreciation system. It seems to me that our trouble here is not entirely in the decline of private investment. As I pointed out in my paper we have had a very large investment sustained over a 15-year period, and you have in many basic industries a substantial overcapacity. And this is one of the principal obstacles to private investment. Another factor too, there are all sorts of other encouragements of private investment in our system which are much more powerful than any deterring effects that exist in depreciation. So it seems to me that this tax credit for the stimulation of private investment is something that we don't really need if we would get at some of the other roadblocks to private investment.

Senator CLARK. Thank you sir. Professor Rasmussen.

Professor RASMUSSEN. I can't quite agree with Professor Eckstein that there is a tremendous need for new private capital formation at this point in view of our record of excess capacity during the last few years. I do favor, of course, whatever we need to get the growth we need. I'm not arguing that point at all. But I don't think this thing will keep us up where we should be. I do favor, however, a flexible depreciation policy and always have favored flexibility here. But I do not believe at this time that this special device will get us where we want to be in terms of recovery. I just don't believe it.

Senator CLARK. Isn't there presently in the tax depreciation sections of the law a substantial inducement to new investment?

Professor RASMUSSEN. I think so. And I do not think at this point that this is the right attack on the problem of recovery. I think we need to get more of the kind of thing in S. 986, rather than this sort of thing, that is, tax credit for new investments.

Senator CLARK. Thank you, sir. Professor Samuelson.

Professor SAMUELSON. I testified yesterday afternoon before the House Ways and Means Committee on the investment tax credit and I came out strongly in its favor. I suggest that a cross-reference be made to that testimony. (Professor Samuelson's testimony appears in the appendix.) Let me say that it is one part of a total package. The Kennedy administration has worked very hard, for example, with respect to schools, with respect to other public works, unemployment compensation. Against the balance of what whole package, \$1.7 billion of revenue loss has been aimed to stimulate investment activity by the device of the investment credit, with the necessary prelude that the loophole capital gains treatment on depreciation and allowances be closed. I wouldn't have favored the bill if section 1241, I think it is, on capital gains were not repealed as President Kennedy as well as President Eisenhower recommended in his budget message of 1960.

Senator CLARK. That's the one on capital gains treatment of depreciable property.

Professor SAMUELSON. On depreciable property; yes. You buy a motel and you depreciate it rapidly, which is permitted under the law; then you sell it at capital gains having avoided taxes two ways, postponed and also double credit. I'll give you a flagrant example which was closed up by administrative regulation. A prosperous doctor could drive an expensive car and be money in hand under the first interpretation of the 1954 laws in the following fashion: You buy a car for \$5,000, you take a very heavy but allowed depreciation and that is taken right off your taxable income. Then the dealer buys it back from you at a level higher than the book value at which you carry it, because the book value at which you carry it has just been adjusted. Then you take capital gains treatment on that and the result is that you are driving a new Cadillac all the time and you have your money in your pocket. Well, that's a very flagrant example. The same thing is happening in the real estate syndicate business, in the general hotel business, in the airlines, and in leasing equipment. A parade of witnesses, talking about how generous other countries were with respect to depreciation, were notably silent about the fact that in every one of those cases in no other country is this loophole allowed to exist.

Well, given these safeguards I think the tax incentive for investment a desirable innovation for the purpose of deepening capital. If it were just a question of expanding excess capacity when capacity is already excessive, there would be no point in it. But I am not persuaded that we cannot hope for cost reduction and a deepening of capital. So I am for this. I should add, as I said there, that even more important in this regard is not tax legislation, but is credit availability to business enterprise through not having the sources of capital shrink due to overly restrictive monetary costs. The vote seems to be 2 to 2.

Senator CLARK. Senator Case.

Senator CASE. A technical question—is there any better or finer measure that we ought to apply as a trigger in this bill than a percentage of unemployment? Is there anything that would detect the upturn more quickly, more accurately in the way of economic indicators or prospective economic activity than that?

Professor ECKSTEIN. Of course, there are indicators in the business cycle which frequently move long before the unemployment rate. So far the national bureau in its very exhaustive research has found no leading indicator that is always right. The unemployment rate has the advantage of furnishing an overall measure of activity, and second, besides being an indicator has a significance of its own; the unemployment rate can't be wrong in the sense that things can't be very good when unemployment is terribly high.

Senator CASE. Are there any other views about this?

Professor RASMUSSEN. The unemployment rate is certainly the basic indicator, although we certainly may use gross national product or any other income measure. I think we've got to come back to employment anyway because your economy is growing and your labor force is growing and you've got to have your GNP stated in terms of growing economy anyway, so it seems to me that the basic figure is your unemployment rate.

Senator CASE. I am not thinking just in terms of this bill, for it is not a large bill nor a permanent bill, but I am thinking in terms of the possibility of legislation which would provide countercyclical and generally socially valuable assistance of this sort over a permanent period or a long time. I should think we might very well need something better in the way of a trigger, and of a cutoff than this sort of business here.

Professor ECKSTEIN. Let me add one other thing. If you really think of tying a larger program to a statistic, for example, a change in tax rate, then we concluded in the studies we made for the Joint Economic Committee that it is impossible to make it so automatic that the President or somebody doesn't have to act or use discretion at some point on the basis of the evaluation of all the data. In the case of this particular program, I think the unemployment rate is useful because it is on a small scale and it has the additional feature that it can be relatively easily turned off.

Senator CASE. We are a little off the track but it is terribly interesting. You don't recommend an automatic tax reduction and return to previous rates on some kind of thing that nobody has to pass a law about or issue an order about.

Professor ECKSTEIN. Well, that's right.

Senator CASE. That's too bad because it is very desirable to have this kind of thing. We all believe in cyclical balances of the budget now, but people who are against these particular programs do it very largely because it is easy to spend money and very hard to raise it and hard to balance the budget.

Professor GRAY. I studied this matter over in England and was fascinated by the way they operate. They had the central government make grants and loans to the local authorities. They didn't use any cutoff, or base their program on any particular statistic. They look at the import-export situation, construction activity—everything. They try to balance it all out—they have a very flexible system. They could restrict loans; they restricted loans to local authorities while I was there.

Senator CLARK. They didn't have to go to Parliament to do it, did they?

Professor GRAY. No. They could retard or expand the amount appropriated for capital investment of the nationalized industries and the local authorities. I think from a long-range point of view what they wanted to do was stabilize the economy system by maintaining a necessary level of capital investment.

Senator CASE. It's a good deal easier to envision politically that kind of control than it is one which relies on an imposition of taxes or the reduction of taxes.

What we are doing in proposing any kind of legislation like this is the proper, but what seems to many, over caution of the executive branch in any administration in proposing what many economists would think would be necessary. For example, shouldn't a tax cut have been made last January instead of now, instead of waiting, and yet I am not criticizing the caution because as you say we haven't yet got a confidence in our ability to handle this thing and manage it on a rational basis. If you economists could help us with this, you would be doing us a great service. Political economy involves politics as well as economics; you can't take a given technique and give us economic advice and expect us to apply it with any accuracy in the political realm.

Senator CLARK. Well, I think one great trouble is that we are accursed with the separation of powers doctrine which makes it very difficult indeed as a matter of politics to build in any flexibility. The distrust of the executive on the part of Congress is, I think, wholly historical and quite unwise, but the chance of getting legislation passed which would give economic flexibility to the President is pretty slim.

Professor SAMUELSON. I would not be so pessimistic as Otto Eckstein, I think. The 4 percent cutoff in this particular bill seems to me to be OK and a rather good indicator. Four percent is not so low an unemployment figure that you would run into grave problems if for example you said 3 percent then you might ask why wouldn't I prefer 3 percent rather than 4 percent? It would be because I would fear the price increases and other things would be accompanied by that last percent. So in a pinch, aside from having some kind of average about 4 percent for some number of months, you might build in some kind of price increase device in it.

But to go to your bigger point, not just this legislation, but beyond that, it's a mistake I believe to think that you can create a Rube Goldberg 704 computer which would take the place of the Congress of the United States and code into it how it should react to all economic situations. On the other hand, since Congress meets infrequently, since it takes time to get legislation through, the notion of passing legislation which has certain objective factors in it, preferably that which gives the executive some discretionary power, but even without such power, would be a good innovation in our particular system. I meant to reply earlier that if the \$5 billion deficit figure of the administration were proper because they think the economy will only need that amount, you might say the following: Maybe they are right. But they're not even sure themselves that they are right. Let's have a trigger for starting the expenditures on public work only if the subsequent months from now show us that the administration was wrong

in thinking that \$5 billion is a sufficient figure. Now such a trigger, for example, might be, if unemployment stayed for 4 months time—5 months time—at about 6.5 percent.

Senator CLARK. We thought of that possibility. We may come to it.

Professor SAMUELSON. So, formally, I am answering you that I don't look with complete disfavor upon unemployment levels and certain other objective time series in legislation. But I agree with Eckstein; there is no perfect variable which takes the place of judgment.

Senator CLARK. Gentlemen, we must move along. We have three other distinguished economists we have kept waiting for over an hour.

Professor RASMUSSEN. Just one comment, Senator Case; I think we are overemphasizing the time aspect here. This isn't something that you have to work out in terms of weeks or months. You're going to have lots of time to think this over and decide where your cutoff is. Don't worry too much about having to start and stop these things in relatively short periods of time. We have ample time to make your cutoff point because unemployment is going to be a hard thing to cut down; so we are going to have plenty of time to work that out.

Professor ECKSTEIN. In our study for the Joint Economic Committee where we reviewed all the postwar recessions, we found that where more might have been done with fiscal policy on the tax or expenditure side, it was not the cumbersomeness of congressional machinery which prevented action. If any of the Presidents involved had asked for a tax cut to fight recession or some other clearcut expenditure program, the chances are he would have gotten it within a matter of weeks.

Senator CLARK. I wonder how you from Academia can so confidently predict what we would have done.

Senator CASE. Well, you know I think, Dr. Eckstein, you are right about that. Truman was opposed to a tax cut that was made and proved to be beneficial. We all thought—I remember I was in the House then—that we were acting like a bunch of demagogues in doing it because the sages said this was wrong. It was the right thing to do, apparently, as most people subsequently agreed. This is a very difficult matter.

Senator CLARK. Thank you, gentlemen, very much for your great, great help you have been to all of us. We certainly appreciate it.

It is now 12:30 p.m., and we will resume at about 1:45.

Senator CLARK. It is now 1:45 p.m. and the meeting will resume. We have this afternoon a panel of three economists, Dr. Harvey E. Brazer, Department of Economics, University of Michigan, Daniel Hamberg, Department of Economics, University of Maryland, and Dr. Gerhard Colm, Chief Economist, National Planning Association. In conformance with the pattern we established this morning, I will ask each of these gentlemen to make a brief statement of their views on S. 986 and then we will proceed to more general discussion and questioning.

Dr. Colm, will you start first please?

STATEMENT OF GERHARD COLM, CHIEF ECONOMIST, NATIONAL PLANNING ASSOCIATION

Dr. COLM. My name is Gerhard Colm. I am the chief economist of the National Planning Association but appear before this subcommittee in my personal capacity rather than speaking for the planning

association. I share the concern with the high level of persistent unemployment which is expressed in the bill and I believe that additional measures to increase employment opportunities are urgently needed. I also believe that it is highly desirable if the President is authorized to make, in a specified manner, grants to States, municipalities, and local bodies for speeding up construction of public works and facilities.

These are areas in which serious deficiencies exist and in which an increase in activities is likely to promote economic growth and well-being. With the present distribution of tax sources between the Federal Government on the one hand, State and local governments on the other, a measure which strengthens the latter in the performance of their functions is a move in the right direction. Furthermore, the bill under consideration would give the Executive a desirable and flexible weapon in the Government's arsenal of measures for combating recessions. I wish, indeed, that some such measure had been on our statute books for use at the onset of the 1960-61 recession. At least, it should be available for use for any future recession. I hope therefore Congress will give favorable consideration to the proposal. It would strengthen the Government's hand in implementing the Employment Act.

The bill appears, however, to be designed less as a standby measure than primarily as an emergency measure for the present situation of high unemployment. Therefore the proposal should be appraised in the light of the economic outlook.

The most recent economic indicators suggest that a recovery from the recession is underway. This unfortunately does not mean that reasons for concern with unemployment are disappearing. It does not appear improbable that the GNP (in 1960 prices) should reach about \$525 billion in the fourth quarter of 1961 (that would be about \$25 to \$30 billion or 5 to 6 percent above the first quarter 1961 level). Compared with previous recovery movements this could be regarded as a satisfactory increase in activity. But even if this should be accomplished, unemployment would still remain at about 6 percent, that is far above the 4 percent which the bill uses as a benchmark. A further rise in GNP (at constant prices) of 8 to 10 percent above the fourth quarter 1961 level during the year 1962 would be needed to bring unemployment to below this 4 percent level. With present programs of the Government, either adopted or in process of adoption, it is by no means certain that these goals, modest as they are, can be achieved or maintained. Recent recovery moves (e.g. in 1959-60) were short lived because, among other reasons, a high percentage of the addition to personal and business incomes were absorbed into the Treasury. This is the phenomenon which has been characterized by the CEA and the Joint Economic Committee as the large "full employment budget" surplus.

Senator CASE. Would you explain that?

Dr. COLM. The terms mean and the table 1 illustrates it, that if we assume a full employment gross national product, then we have high personal income and large profits and we estimate revenue as it would result from such level of economic activity; then we estimate the expenditures of Government under present programs and programs which are under contemplation and most likely to be adopted in the

future and that shows (in table 1) that we would reach in calendar year figures 1962 already \$7.5 billion surplus based on the cash concept of the Federal budget. For 1965, assuming an adequate rate of growth and high employment would give us \$22 billion surplus. This is fictitious computation because I'm not sure we would have high employment, if we had such surplus. Also, the question of State and local governments would come in—a problem which I know the chairman is very much concerned with from his speech last year. I would feel that some redistribution of tax sources would have to take place. I don't want to suggest that this whole surplus would be available for tax reduction but probably would need to be a tax reform which would include Federal, State, local fiscal relationships. The table also shows but not quite in such dramatic figures as Paul Samuelson had, that in calendar 1959 we had an \$8 million deficit in cash which shifted over to \$3.6 million in a 1-year period which is a shift that probably contributed to the short duration of the recovery after the 1958 recession.

TABLE I.—Federal cash receipts from and payments to the public, 1959–60 (calendar year basis)¹

	Actual projections ²						
	1959	1960	1961	1962	1963	1964	1965
Gross national product.....	482.1	503.2	510.0	548.0	582.0	609.0	635.0
Receipts ³	87.6	98.3	99.5	112.0	119.0	125.5	132.5
Payments ⁴	95.6	94.7	102.5	104.5	106.5	108.5	110.5
Surplus (+) or deficit (—).....	—8.0	+3.6	—3.0	+7.5	+12.5	+17.0	+22.0

¹ Based on National Economic Projections Series, National Planning Association.

² In 1960 prices.

³ Assuming no change in present tax laws.

⁴ Assuming some increase in existing programs.

I regard as key issues in the situation (a) public and private measures which promote cost-reducing technological and managerial advances; (b) public and private measures which promote a better balance in the allocation of the national product between public and private outlays, (c) public and private measures designed to mitigate the impact of technological and geographic changes in production on labor requirements. (The Area Redevelopment Act is a desirable measure of this kind. For further specific measures which deserve consideration, see NPA's joint statement on "The Rise of Chronic Unemployment," issued in April 1961.)

A rapid rise in productivity and total production should make some tax reduction possible—and I mean not only a temporary tax reduction as an antirecession measure. I go a little beyond what Eckstein said this morning. However, with rising productivity and a rising labor force we also can afford and need a substantial increase in high priority public programs. If the international situation requires a substantial and continuing stepup in national security programs, obviously no permanent tax reduction should be considered and advances in nondefense programs would have to be slower than otherwise. If substantial increases in defense programs will not be needed or if even some reduction in defense programs, at least in relation to

a rising total level of production, will be possible substantial advances in high priority nondefense programs should become feasible.

I am convinced that an adequate program for urban renewal and mass transportation with the tremendous requirements of public and private funds alone could create a large part of the additional job opportunities needed for the next one or two decades. With adequate programs in this field and other fields, the problem of the next decade may be less one of finding new job opportunities than one of allocating available resources to the highest priority needs. Thus, the task of transforming a short-lived recovery into a period of sustained and adequate growth depends largely on longrun public and private policy measures.

For the proposal before this committee, what then follows from this outlook?

1. I do not know how much time would be required for this measure to become effective, but with the legislative and administrative actions needed by the Federal and local governments 6 months appears to be a minimum time. Personally I think that's a very optimistic statement. Present indications are that recovery will be well underway by that time. Thus the action would come too late as a measure to overcome the 1960-61 recession.

2. A major concern is that this recovery as previous recoveries may be short lived. This possibility requires the adoption of longer term measures, such as tax reform and the initiation of high priority Government and private programs. The proposal before this committee specifically provides that it is terminated as soon as unemployment is reduced to the 4-percent level. It would not serve the purpose of assuring that recovery is lasting and sustained.

3. Yet these considerations do not deny the great usefulness of the proposal in support of a sustained recovery movement. The expectation remains that even a vigorous recovery movement will not soon absorb the presently unemployed, the increase in the labor force, and the effect on employment of further technological and managerial advances. Therefore, measures may be needed—I think will be needed—to create additional employment opportunities in the near future. This is all the more necessary as considerable time will be required to initiate the longer run measures, such as programs under the Area Redevelopment Act, adequate urban renewal, mass transportation programs and tax reform. Thus, the proposal has, in my opinion, great merit both as an interim and as a standby measure. Particularly, and here I repeat what I said at the beginning, a proposal of this kind should be an element in the toolchest of measures available at the disposal of the President. Therefore, I hope the committee will take favorable action on the proposal, possibly with some modifications to make it fully effective also as a standby measure. At the same time I would like to express my concern that desirable action on this proposal as an interim and standby measure should not divert attention from the even more urgently needed longer run policy measures.

I would like to add a few specific comments on the bill. I wonder if it is desirable that the President's authority to make emergency grants should be terminated as soon as unemployment has been reduced to 4 percent in any one month. Perhaps some leeway should be given in order to permit the President and his advisers to judge whether there might be only a temporary improvement in the labor market.

I have a further question with respect to the same provision which is raised if the bill is considered as a standby measure. I presume that the "termination" of the authority is not meant to preclude that the authority could be reactivated if and when unemployment should rise again above 4 percent in another recession. It might be desirable to clarify the language of the bill in this respect. Perhaps it should say "suspending" rather than "terminating."

The bill leaves it to the President to delegate the functions under this program to an appropriate agency (except for the possible extension of the program which only the President can decide in consultation with the CEA). I presume he would select the Community Facilities Administration which would later become a part of the proposed Department of Urban Affairs. In this connection I would like to raise the question as to whether the Federal Government has at present adequate knowledge of State and local public works which are in various stages of preparation or completion. The periodic survey conducted by the Governments Division of the Census Bureau covers only a sample of local governments. A sample is adequate for providing information but possibly not for operational use. The Public Works Unit which used to be located in the White House has quite appropriately been shifted to the Budget Bureau in the Executive Office of the President, but I wonder if the important functions originally assigned to this Unit are performed somewhere else in the Government.

Senator CLARK. Thank you very much, Dr. Colm. Dr. Hamberg, do you want to go on now?

STATEMENT BY PROF. D. HAMBERG, UNIVERSITY OF MARYLAND

Professor HAMBERG. I am happy to respond to your request for comments on bill S. 986. Let me say at the outset that I am in complete sympathy with the apparent objectives of this bill. I have no doubt in my own mind that our economy is in need of more stimuli than the present administration seems willing to propose. At the same time, any effort to assist State and local governments to overcome the deficiencies in spending in the public sector of the economy commands praise.

Having said this, let me now enter a few caveats concerning S. 986 by way of reply to the specific questions raised in your letter of April 7. As suggested above, I certainly do believe that additional fiscal measures are needed to restore a healthy rate of economic growth and achieve maximum employment, production, and purchasing power. However, it should be noted that these are not always consistent objectives, and fiscal policies designed as strictly countercyclical measures can be potentially at odds with the objective of promoting healthy economic growth. I think S. 986 could possibly be an example of what I have in mind. As a purely countercyclical measure, the bill is adequate (subject to an additional financial reservation discussed below). But the emphasis on projects that can be completed within 12 months after the starting date raises the possibility of conflict with growth objectives. It is not difficult to envision State and local governments shifting projects to those meeting this specific time requirement and away from those, with a longer gestation period, having a higher priority from the standpoint of growth (or any other) requirements.

This objection might be of little consequence in circumstances of a (minor) cyclical downturn following a period of vigorous economic growth with unemployment at a minimum rate of 3.5-4 percent. In these circumstances, exclusive emphasis on short-term countercyclical policies might be warranted. But as you well know, our present economic growth has fallen far short of this standard, and unemployment is well in excess of these minimums. But the terms of bill S. 986 imply otherwise. In the present circumstances, there is ample room for projects with gestation periods considerably longer than 12 months, and many of these are of high social and economic priority.

In reply it might be averred, with reason, that a bill like S. 986 should allow for all sorts of contingencies, not just those like the present economic conditions. And this would be just the point. The present bill does not do this; by implication, it appears to be geared only to conditions like those described in the opening sentence of the preceding paragraph. As you can now probably guess, I feel that S. 986 suffers from an unwarranted degree of administrative inflexibility. I would like to see the President be given the power to make grants for longer-term projects as well as the short-term projects provided for in the bill, the projects to be emphasized being geared to economic conditions as measured by unemployment magnitudes and even average rates of (GNP) growth over a period of years preceding a contraction.

The basis for my second reservation concerning S. 986 is substantially the same as that underlying my first. Thus, for the same reasons, I feel that the sums of money provided in the bill are a bit on the niggardly side. Depending on the magnitudes of unemployment and previous economic growth, I would prefer to see provision made for a wider range of funds than the bill now makes. In the present economic circumstances, with GNP at least \$50 billion below its full employment potential, we certainly can afford to devote more than \$500 million to \$1 billion in grants for the numerous public projects of high social and economic priority. On the other hand, other circumstances in the future might make these limits adequate. In the interests of greater financial flexibility, therefore, a greater range of funds would appear to be easily justifiable.

Senator CLARK. Thank you very much, sir. And now Dr. Brazer.

**STATEMENT BY PROF. HARVEY E. BRAZER, DEPARTMENT OF
ECONOMICS, UNIVERSITY OF MICHIGAN**

Professor BRAZER. We have ample evidence to suggest that the recession that began in late spring or early summer of 1960 has completed the course of its contraction phase. But there are few, if any, indications suggestive of an imminent period of buoyant expansion. It seems clear, rather, particularly in view of the very large increase we have experienced in the size of the civilian labor force in the past year, that in the absence of bold governmental measures 1961 will be a year in which unemployment will average more than 6 percent. No one seems to disagree with that estimate. The problem of reducing unemployment to a level of 4 percent or less may well be properly viewed as being more than cyclical in character. That is, it is quite conceivable, if not likely, that recovery from the recession may lead only to a new peak at which an intolerably large proportion of the la-

bor force will continue to be unemployed and job opportunities will be insufficient in number to induce the desirable movement of workers and their families from chronically depressed areas.

Governmental action in the form of general fiscal and monetary policy designed to stimulate economic activity tends to suffer from the disability that arises because the need for stimulation is not uniformly distributed throughout the economy. Some industries and some regions experience far more severe unemployment than others. Thus, for example, in March of this year the seasonally unadjusted rate of unemployment nationally was 7.7 percent whereas in the Detroit metropolitan area it was 15.2 percent. In my view, therefore, one of the major merits of the plan to provide Federal grants to State and local governments to assist them in expanding outlays for public works that is embodied in S. 986 is that it permits the Government to exert its expansionary influence in a manner that can be regionally selective. Rather than providing stimulation entirely general in nature and impact, it can do so in degrees that vary directly with the local need for stimulation.

However, the bill as presently drawn is not designed to achieve this important objective. Instead, it simply offers, at the discretion of the President, up to \$1 billion in grants to the State and local authorities which will undertake net increases in expenditure for the construction of public works, the Federal share of which expenditure being set at a uniform 45 percent. I believe that the suggested program can be made far more fully effective if it is modified in certain important respects. My suggestions for modification and the reasons therefor follow.

It is my view that the limit of 45 percent of the cost which is to apply to the Federal contribution is, in general, far too low. This view stems from several considerations.

Senator CLARK. Let me interrupt by saying that everyone we've talked to in the administration thinks it's far too high.

Professor BRAZER. Well then I disagree with the administration. I might say that my expertise, such as it is, lies primarily in the State-local field.

Senator CLARK. Their view is that a billion dollars is about as far as you can afford to go in view of their concept of the budgetary function that there is enough bait to get works going 33½ percent instead of 45 or maybe even 25. Of course they don't view it as you do as primarily a depressed areas bill.

Professor BRAZER. Not essentially a depressed areas problem, Senator. Rather what I'm concerned with is the fact that even if we exclude chronically depressed areas there are in any recession period some areas that suffer considerably more than others, for some areas have economies which are heavily dependent upon production, for example, of durable goods. Other areas are heavily dependent upon production of soft goods. Just this kind of structural difference in regional economies will make for this kind of difference. However, the reasons underlying my statement which I think present at least a partial answer to what you suggest to be the administration objections to the 45-percent level I think I cover at least in part here.

1. Many State legislatures are prohibited from borrowing more than very minor sums—\$250,000 in the case of Michigan, for example. Similar borrowing restraints, in the absence of special elec-

tions, which are time consuming and the outcome of which is always uncertain, apply to a large proportion of our local jurisdictions. Thus it seems to me that in very many instances recourse to borrowing as a means of financing the local share of costs is simply not feasible. This is especially important in the light of timing considerations and because the bill provides that—

the President shall accord priority to projects which he determines can * * * be commenced by the letting of construction contracts within 90 days after a contract * * * is entered into * * *.

Moreover, it is must be remembered that State and local governments enjoy no monetary powers and are passive participants in the capital market. Borrowing may be most difficult for them under the very circumstances under which, given the terms of this bill, it would be most desirable for them to borrow.

2. Especially within a short period of time, there can be only very small sums available for meeting local obligations under the program out of tax revenue. This is certain to be the case most clearly for those areas in which the recession is most severe, areas in which revenues are currently under heavy pressure from existing demands and obligations. It is, of course, precisely in such areas that a program of the kind proposed is most needed. Care must be taken, it seems to me, that Federal aid does not induce shifts from expenditure on essential services to public works construction.

3. A very large proportion of the income and employment effects of local public works expenditures necessarily accrues to regions other than the one in which the expenditures are undertaken. The local income multiplier is likely to be very low. Leakages arise from the fact that a very large proportion of construction materials and purchases stemming from secondary effects will be supplied from outside of the spending jurisdiction. Thus if the major impact on income and employment is likely to redound to the benefits of the Nation at large, the local jurisdiction's contribution to the cost of the public works involved should be a limited one.

However, one cannot ignore the fact that service benefits emanating from local public works will accrue primarily to persons living in the jurisdictions immediately concerned. Nor should the importance of the program as a means of contributing to the filling of the great need now evident for various kinds of social capital be ignored. But, since the incidence of the recession and the continuing gap between the labor force and employment opportunities varies widely among States and localities, the scale of the Federal contribution under the proposed program should not apply in uniform fashion, irrespective of the overall average level of that contribution. Instead, I urge that you consider varying the proportion of the costs to be met by the Federal Government directly with the proportion of the local labor force that is unemployed. The scale might be so designed as to range from 10 percent, where unemployment is below 4 percent, to 95 percent,

where unemployment exceeds 14 percent of the labor force. The following table is offered as an illustrative suggestion :

Percent unemployed :	Federal contribution (percent)
Less than 4.....	10
4-6.....	25
6-8.....	40
8-10.....	60
10-12.....	80
12-14.....	90
More than 14.....	95

I firmly believe that it is extremely important to take into account the local incidence of unemployment. Otherwise I can readily imagine that the program envisaged in S. 986 will be most attractive to those areas in which unemployment is least severe and which, therefore, need it least. On the other hand, where unemployment is very high, local funds simply will not be available. Or if they are forthcoming they may be shifted from badly needed current services.

Senator CLARK. How would you answer the argument that we have already in the depressed areas bill, in the public facilities loans and grants section, done as much as can be expected in this session of Congress and that the impact of this bill should be generally across the country?

Professor BRAZER. Well my answer in part relates to something I said a few minutes ago; namely, that you may regard the coal mining regions of Kentucky, Illinois, and Pennsylvania as chronically depressed areas. I would hate to think at this point that we need to regard the Youngstown, Detroit, Flint, Johnstown areas as chronically depressed areas. The difference may be a difference of degree and I'm not sure where it becomes of sufficient degree to warrant different treatment.

Senator CLARK. You've got a good point.

Professor BRAZER. Beyond that I would say that from my knowledge of the contents of the depressed areas bill, and I am by no means fully familiar with it, that the sum involved is rather small, as I recall, something under \$400 million.

Senator CLARK. Of which \$200 million is for private enterprise.

Professor BRAZER. Yes, the public works portion of it would presumably be very small.

Senator CLARK. \$75 million.

Professor BRAZER. In 1 year?

Senator CLARK. Yes.

Professor BRAZER. But it may be spread over 1 year so that in any 1 year the public works portion could be as low as—

Senator CLARK. First come, first served.

Professor BRAZER. So that I think there is an important function which this bill is to perform over and above, beyond that performed by the depressed areas bill. Much depends upon definition, and how obviously you define a depressed area, and frankly I am not familiar with this definition in the bill.

Senator CLARK. Well you wouldn't really need to define a depressed area for purposes of your suggestion. You just say if at a particular time when the application comes in, the percentage of the labor force unemployed on the last basis was over a particular percent, then you vary the amount.

Professor BRAZER. In my suggestion, certainly; yes sir, but the question of overlap between the application of the depressed area bill and S. 986 as it might be amended by my suggestion depends in part upon this question.

A modification of the bill in the direction suggested could be objected to on the ground that it might inhibit desirable movements of labor out of depressed areas. I'm sure you have had this objection on the depressed areas bill. But in view of the fact that such movements are certain to be inhibited anyway when unemployment nationally exceeds much more than 4 percent, and the fact that the proposed program will be terminated when unemployment falls below 4 percent, this objection does not warrant serious consideration.

Implementation of the variable grant may be difficult in cases where the proposed project is to be carried out in an area for which data on unemployment are not currently available. However, to the extent that a large proportion of the labor force lives or works in such areas, we might do well to provide incentives for extending the coverage of the data, rather than weaken the program for this reason. I would emphasize, finally, that whether the recipient governmental unit is a State or a local authority, the Federal grant should vary with the extent of local unemployment in the area immediately affected.

It may be that the recipient unit is a State because you are assisting the State in its construction of bridges or highways but I would relate the proportion of the Federal grant to the level of unemployment in the contract area.

Senator CLARK. I think that's an interesting suggestion, thank you.

Professor HAMBURG. I think it's very ingenious.

Senator CLARK. But does it off the top of your head seem like a good idea?

Professor HAMBURG. I think it's a fine idea.

Senator CLARK. How do you react Dr. Colm?

Dr. COLM. A fine contribution.

Senator CLARK. I'm sorry we didn't have a chance to talk about this to the other four gentlemen this morning but we'll ask them what they think. Let me put to you three gentlemen the same question that I did this morning. You assume that the administration has made up its mind that it's going to have a \$5 billion deficit, and no more, fiscal 1962; that tax reform in the next 12 months will do more than to balance new revenues from loophole closing with new concessions in terms of accelerated depreciation allowances for new capital investment. What course would you advocate: (a) giving up the bill, (b) decrease the deficit, (c) raise more money through some form of adjustment of the loophole accelerated depreciation complex?

What would you say, Dr. Colm?

Dr. COLM. I think you have prevented me from saying what I intended to say by saying that the deficit must be limited to \$5 billion.

Senator CLARK. We are assuming that's the basis of the administration policy. You are at liberty to disagree with that assumption or take one of the other two alternatives I've outlined.

Dr. COLM. Senator, I think that in a period of recession the deficit gives support to recovery.

Senator CLARK. Are we still in a period of recession? Most economists agree that we're in a period of upswing.

Dr. COLM. We are on the upswing, but we have no assurance that recovery will bring us closer to our objective and I'm concerned with the somewhat longer run outlook rather than the very short emergency of the present unemployment. I think that a substantial increase in governmental expenditures is possible without creating a long-run deficit. Because as my figures show, with a higher level of economic activity, we will generate additional revenue. If you assume changes offsetting each other, you would have a very substantial surplus. Whether we have a very substantial increase in defense expenditures or in the nondefense area, I think in either case some substantial increase in expenditure is possible under the present tax system without getting us into a high employment deficit. What I mean is a deficit which would occur under conditions of high employment.

Senator CLARK. Would you be inclined to put a dollar figure above which you would feel concerned because of the international payments problem or otherwise if the deficit were to run?

Dr. COLM. Senator, I am really not. We have a deficit likely only for the interim period where the recession still affects future tax receipts; even with our pay-as-you-go tax deductions at the source, we still have a timelag. The deficit occurs while we are in the recovery period.

Senator CLARK. I don't want to force you beyond where you want to go, and I don't blame you for wanting to be very cautious—I'm sure I would if I were in your shoes—but here are these pretty able men sitting up there in the Bureau of the Budget and the Treasury advising the President what programs he can advocate without departing from fiscal soundness and without creating a monetary crisis, and they appear to be telling him that he should not permit the fiscal deficit for 1962 to go above \$5 billion. Then my query to you is whether you think that's good advice. Now don't answer if you don't want to.

Dr. COLM. I am glad to answer. We can have the same—large or little—effect on inflation of the \$5 or \$6 billion deficit depending on the credit policy we are using at the same time. I would say that I challenge any economist to tell me that the \$5 billion deficit is all right, but who estimates \$5.5 and says that isn't all right. We may find out in the processes that a \$5 billion deficit is too much. We may need with those expenditures a little more restrictive monetary policy but nobody can tell you that in advance. Unfortunately, our tools are not that fine. I regard this \$5 billion which is talked about more as something to shoot at as a guideline.

I don't think, Senator, that should be taken so seriously that if you think a bill has merit, then that argument would kill it.

Senator CLARK. That's what I hoped you would say. Now, you see, our problem is: We've gotten strong support from economic experts on this bill. We've gotten some very strong support from the labor movement on this bill. We're going to get strong support for the bill from local public officials, who are going to tell us, I am confident, that they have projects on the shelf ready to go and adequate local financing to meet their share of this program. They're going to plead with us to pass the bill. Now we're going to have the adminis-

tration coming down and saying: "We are in complete sympathy with the objectives of this bill. We think it's wonderful in principle but we are opposed to its enactment because you're going to run the deficit for fiscal 1962 higher than we think is wise in the light of the overall economic condition of the country in general and the international balance-of-payments question in particular." What are we going to say when they tell us that?

Professor HAMBERG. Senator, are you sure that this advice about \$5 billion comes from economists in the Treasury and the like or is it coming from somebody in the political world? I find it hard to believe that a professional economist of some stature would make a statement like that.

Dr. COLM. Secretary Dillon asked that this question be discussed with some economists and he has invited them to advise him on that question.

Senator CLARK. I think I will reply to Dr. Hamberg's question with no comment.

Professor HAMBERG. Well, it just sounds incredible that any professional economist would make a statement like that. It just sounds like a man who has already made up his mind for political reasons.

Dr. COLM. The following possible objections to this bill might be advanced: (1) I don't know what our national security situation is. I'm perfectly frank that in 2 weeks I could change my mind and say go slow on every nondefense measure. I don't know whether in 2 weeks the President might have a better knowledge of the situation in this respect. (2) This is a shot-in-the-arm kind of measure which in my mind standing by itself is not the kind of thing tailored to our situation where we are concerned with sustained economic growth. I accept and support this measure, not as a shot in the arm but as an interim measure until other long-term measures get underway. And the more it can be guided into the area of high unemployment, the most important area, the less it would contradict what needs to be done in the long run. (3) The measure may add to deficits after recovery already got underway. This is true in part because of the timelag in receipts. However the economic effect of rising taxes occurs when corporations set aside part of profits for tax liabilities. (It is better to think in terms of liabilities rather than cash payments.) I think we will be out of the budget deficit in the very near future if we think in terms of liabilities which really affect business dispositions rather than what they transfer to the Government. Therefore, that objection about the timing of the cash deficit is not very important. Now you ask also as to the international question. I think that is serious. Because of the international situation we have to be somewhat reserved in our monetary policy. We can't go all out because of the international situation. But by the same token we have to be more active with fiscal policy. Second, we have to push for modernization. This is the only long-term solution we have for the dollar problem. And these same measures for producing productivity advances aggravate our employment problems which makes it all the more necessary for the Government to support the creation of additional job opportunities.

Senator CLARK. Thank you, Dr. Hamberg.

Professor HAMBERG. May I ask a question before I give an answer? From your observations and knowledge what are the bases to the objections to a deficit in excess of \$5 billion? Inflationary, is that it?

Senator CLARK. Oh, I think that I would have to speak in very general terms about that. You know the processes by which the executive arm operates. The—let's just make an assumption which may not be a fact that this is what happens. The Secretary of Labor goes in to the President and says, "We've got to have a series of measures to increase employment or it's going to be as bad at the end of the year as it is now. It's part of the public works bill and I want you to support it."

Then the Council of Economic Advisors says the Secretary of Labor is right: "We think this should be done. We think there should be a retraining bill too; we need to step up expenditures in a number of different fields to create more jobs. This is terribly important." So the President asks the Secretary of the Treasury and the Bureau of the Budget about it. The word comes down that this is going to run the deficit up too high. They say we can't afford it economically or we can't afford it politically; but the President gets these figures and he's going to say, "No, we can't do it."

Senator CASE. And I don't think that there's—for purposes of restraint or satisfying foreign investors or soundness of the dollar and so forth, some kind of thing like this is necessary at some point. You have to draw the line and stick to it just for the same considerations of this sort. If you have some kind of assurance that this process is going to produce in fact—I think it would be quite easy to say—it's better to have a bigger deficit right now.

Senator CLARK. Does that give you enough background to answer?

Dr. HAMBERG. Just leaves me more nonplussed than ever. I'm not talking politically. If somebody asks me for my advice, I refuse to render a political judgment. I render my advice on the basis of my economic competence, not my political understanding.

Senator CLARK. Well, I don't want to quarrel with you, but this is a practical world we live in.

Dr. HAMBERG. Well, I wonder whether we don't exaggerate the political difficulties.

Senator CLARK. I don't know.

Professor HAMBERG. You know, from the beginning I thought this administration is fiscally conservative, when all my colleagues were saying "No," they were just pandering to public opinion. And the more I hear, the more I am convinced that the administration, for all its other remarks and certainly there have been changes, is fiscally as conservative as it can be. And of course the reason for all this talk is as Dr. Colm says, when you make this assumption, you put us in a straitjacket. This \$5 billion deficit is a kind of a straitjacket assumption.

Senator CLARK. Well, if we put you in a straitjacket, then we want to take you out of it. I thought I had taken Dr. Colm out of it. Let me put the hypothetical question to you this way: you have indicated in general terms your support for this bill. If, as a result of passing this bill, the Federal deficit were to exceed \$5 billion in 1962, would you change your mind as to whether it's desirable or not?

Professor HAMBERG. I wouldn't give a tinker's damn frankly if it were at \$10 billion. Deficits by themselves are not inflationary. This is no time to be worried about inflation with 6½ percent unemployment. We ran a \$12-billion deficit in 1957 and I didn't see

any foreign concern over this figure. Why is everybody suddenly concerned about running a \$7-billion deficit?

Senator CLARK. Well, you would still be for the bill.

Dr. HAMBERG. I think that the people who worry about a deficit as such being inflationary need a course in economic principles. You know we ran a deficit in the 1930's and the one thing I remember from the thirties were those cartoons expressing feverish concern over inflation.

Senator CASE. With President Roosevelt.

Dr. HAMBERG. He did and he was a conservative too. The point is that a deficit is not necessarily inflationary; and a surplus is not necessarily deflationary. You couldn't explain the inflation of 1946-47 and the big budget surpluses we were running if I am wrong.

Senator CLARK. OK. I think you have made yourself very clear. Now, Dr. Brazer.

Professor BRAZER. I am induced to begin my comments by suggesting that I don't think that Professor Hamberg or Senator Byrd can be wrong all the time, but I think both of them can be wrong some of the time. I think both are. Professor Hamberg may be wrong in the sense that he is emphasizing only one important aspect of the budget, that is its impact on aggregate demand in the economy. There's another important function performed and this one perhaps Senator Byrd overemphasizes and that is the limit on allocation of funds, the imposition by the budget of fiscal responsibility on the legislative body. And that may sound like a motheaten conservative view, but I emphasize this. I don't think this budgetary function can be entirely ignored. The question of whether or not the \$5 billion is one that ought to be quarreled with is one that I think ought to be viewed in the light of the fact that this figure may be a figure arrived at as a consequence of the best advice that's available to the administration. My acquaintance with the people who have been advising the administration suggests that there must be some implicit assumptions involved in arriving at this figure which we have not put on the table.

But there could be such implicit assumptions. There may be implications with respect to the kind of monetary policy and the manner that it is going to be pursued and the technique for financing the deficit. This is the point which Professor Hamberg was making.

If it is the consensus among competent economists that the objectives of an adequate growth rate, a cost price structure that permits effective competition with our foreign friends, and at the same time an acceptable level of employment can all be achieved with a \$5 billion deficit, then this will approach the correct figure. If these objectives cannot be achieved, by means of a deficit of \$5 billion, then from the point of view of the gross employment objective, the deficit may well be too small. But on the other hand a larger deficit may conflict with other objectives. To the extent that you have conflict among the objectives which you seek to achieve necessarily involves some kind of compromise. The kind of compromise that may be involved here may lead to an answer which produces the deficit which in the view of Professor Hamberg and others may be too small. But this is not necessarily to say that it is wrong. I don't know at all that it's right. If you are not concerned with the size of the deficit, then there are no

reasons for not passing the bill. If you are concerned about the deficit, then I can identify for example, \$2 billion of income not subject to tax in the form of municipal bond interest. If the merits of the bill are sufficient, so that even if you did not want to increase the size of the deficit as a consequence of passing the bill, it could well be used as a lever for the closing of so-called loopholes in the existing tax structure that would provide the revenue needed for financing.

Senator CLARK. Rather than abandon the bill you would increase revenue.

Professor BRAZER. If this were the only choice, I would increase revenues, provided that the increase in revenues came from sources which would not be oppressive insofar as the level of investment and consumption expenditures are concerned, and this is the reason why my first choice is, for example, municipal bonds. Of course, some of your friends who are mayors will not agree with that.

Senator CASE. What is economic growth, Dr. Colm, just to be sure I understand your point.

Dr. COLM. Economic growth in quantitative terms means an increase in production of goods and services, either with better performance of public tasks or for activity higher standard of living for individuals. It could mean an increase in what we call the gross national product in constant prices. There are many objections to this measure, as the reports of the Joint Economic Committee have pointed out. I think all these objections have some validity but I do think this measure is the best approximation we have. Some people prefer the measurement in terms of per capita, but I would use both depending on what you want to measure. What I am talking about, roughly speaking, is the increase of the gross national product measured in constant prices.

Senator CASE. Then on page 2: Could you compare roughly cash budget and conventional budget—what I am thinking about is it ever possible to have a balanced conventional budget without having a deflationary effect?

Dr. COLM. I think you asked two questions: One was comparison between the cash budget and the administrative budget. It is a simple matter of reconciliation. You can for any one year translate the one into the other. There is no general rule, because it depends upon when the stepup in social security rates occurs. At the moment the difference is relatively small, but it will be wider again in the future. We think that for such consideration as the effect on the economy as a whole either the cash budget or the national income account is better than the administrative budget.

Now your second question whether a balanced budget can ever not be deflationary I would say what counts most is the change, the change from one year to the next. I think that if your budget increases, even if it is financed by taxation, increased Government activities has the effect of expansion. Now it may not lead to inflation because there may be offsetting factors in the private sectors of the economy. It could of course be the opposite depending on these other factors. But here I would like to mention one point. We always talk about the budget and look at that as a final criterion; but we have very large operations with the Government amounting to many billions each year that nobody ever looks at in connection with the budget. The insurance and other guarantee programs in

housing and other fields are usually not considered as part of the budget picture. We should look at the whole picture rather than at two sets of figures. You can have all kinds of effects of a balanced budget, of surplus or deficit, depending upon these other events.

Senator CASE. Well, if the Government finds itself at the end of the year with a surplus and automatically reduces its debt. Is that inflationary?

Dr. COLM. Not necessarily, Senator. If you have a situation in which private activities are expanded, and you have redeemed debt in such a manner that you make the funds available, let's say to insurance companies, then the money collected by the Government is moved into the mortgage market or some other activity. If on the other hand, you reduce the amount of securities held by the commercial banks and, by coordinated measures of monetary policy, reduce the lending potential of commercial banks, it may have a deflationary effect. That's why I believe that looking only at the Government budget itself doesn't give us the answer. Only fiscal policy in combination with monetary policy tells you what the effect is. You can have the same effect on inflation with a \$7 billion deficit as a \$5 billion deficit depending on the monetary policy. And also, as experience has taught us, we can have inflation, that means pricerise, without any inflation from the Government side. I am much more concerned about the problem of inflation as a cost-price problem; Senator Clark heard this discussed 3 days at the Arden House. This is being discussed experimentally in the executive branch by the Labor-Management Advisory Committee. Summer Slichter in his last paper quite correctly pointed out that a source of deficit financing next to Government can be a corporation. We have to look much more at the economy as a whole in order to pass judgment whether a particular measure will be inflationary or deflationary. If we think in terms of all the factors which generate our problems of inflation, unemployment, and so forth, the bill does not propose a terribly big measure.

Senator CASE. This morning, the term "capital formation" is used a good deal. I am not an economist and I apologize to all of you for wasting your time. What is meant by capital formation?

Dr. COLM. Capital formation can best be understood as one part of total production, which broadly speaking can serve three purposes. Either it serves the Government, for instance for national security. You could produce munitions, and tanks and missiles. Or you could produce consumer goods or services—something you and I are consuming either directly or, in the case of an automobile, in a period of time. And third, certain production is used for making more future production possible; it goes into plant and equipment and other means of production. And capital formation is usually called that portion of our resources which is devoted for broadening or deepening the capacity base of our economy for making more production possible in the future. However, our three categories are not that neatly separated in reality; Government outlays, even though perhaps meant for the betterment of individuals' education and health, may have the same effect on future production as new plant and new equipment. These categories are not as neatly separated as I suggested.

Senator CASE. The purchase of munitions is not capital formation.

Dr. COLM. No.

Senator CASE. Battleships?

Dr. COLM. No; although there is some question about barracks.

Senator CLARK. Missile sites?

Dr. COLM. Not as a theoretician but as a practitioner I take the position that military installations should be written off in the same year, as if they are obsolete after 1 year. Because of changes in the international conditions, such installations may not be a lasting contribution to our ability to produce military services in the future.

Professor BRAZER. But is this really different from the obsolescence that hangs over the head of any decision to invest in capital goods, whether it be private capital or public capital. Suppose I decide that I am going to acquire machine tools for the purpose of building engine blocks. Lo and behold, before the thing is delivered, somebody has invented a machine tool that will produce twice as many engine blocks at half the cost.

Professor HAMBERG. May I interject? I think we are off on the wrong issue. The point is not whether things become obsolete or not, but whether they are used to produce other goods, or capital goods; the production of them is what we mean by capital formation, in general.

Senator CLARK. Whether or not the final product increases the national wealth?

Professor HAMBERG. Well, the term "capital formation" in economic parlance is, literally: consists of goods used to produce other goods and therefore add to the national wealth.

Senator CLARK. Even though the goods are useless.

Professor HAMBERG. No. By definition we are talking about economic goods. What do you mean by "useless"—have a market value?

Senator CLARK. No; I was going back to Senator Case's question about military hardware. Now that may be very useful to prevent someone from getting killed. In another concept, it does not increase the standard of living.

Professor HAMBERG. No. Nor is it used to produce other goods. I would say you could treat a military installation from this point of view: essential service or consumer goods. I think that's what Dr. Colm had in mind. You write it off immediately, not because it's obsolete, but because it's essentially like consumer goods.

Senator CASE. Suppose you buy a thousand acres of land up in Cape Cod and set it aside as a park. Is this a capital formation?

Dr. COLM. No; I think it was Dr. Eckstein who said he was in favor of this incentive tax bill because of the need to support capital formation. However, he would exclude the acquisition of land and would include only the proportion of our national product that goes into productive investment.

Senator CLARK. Well, that would include capital formation put into plants to build intercontinental bombers.

Professor HAMBERG. I think everyone would.

Professor BRAZER. Then why not the cement pads or whatever they use to launch the things with. One is merely private and one is public, but they both are goods which produce other goods or services over a period of time for consumption in the future.

Senator CLARK. One of the things which has always disturbed me about utilization of the gross national product, as even the rough

and ready indication of the growth of the economy, is that there is so much in the gross national product which is either downright harmful, or at best, useless. So it is no test whether you are really creating or increasing useful materials.

Professor HAMBERG. Well, maybe. But the point is that we have different sets of values. We may run into some serious conflicts. What the economist generally does say is, within limits anyway, "Let the market be the judge." Sometimes the market doesn't properly allocate resources between the public and private sector.

Senator CLARK. I have, as you know, very little confidence in the market, but I was thinking of a different aspect of it which was that when we compare the Russian gross national product with our own, we include the enormous production of alcohol, cosmetics, and tobacco; whereas they have a modest amount of such items. Then we compare the two gross figures and say we're doing wonderfully.

Professor HAMBERG. You're right. But this is a problem of public versus private spending. In addition, of course, it's a question of allocation of resources. It's a question of proportion of gross national product you want to devote to capital formation as opposed to consumer goods.

Senator CLARK. Well, all I am pleading for is a somewhat more critical analysis of the gross national product.

Dr. COLM. Senator, wouldn't you agree that you need first an overall measurement which may not be good. I have very little confidence when somebody says to me the gross national product per capita in Africa, for instance, is 5 percent what it is in the United States. I think it is good for estimating the contribution of nations to the U.N. but it has no other usefulness. But when we are speaking within one country, then it makes a lot of difference when you say, for instance, "Our gross national product today is running at 500 billion; it could run at 550, if we made full use of our resources." This, I think, is a meaningful statement. Or, "Last year it was 500 billion; next year we hope it will be 530." Here we are saying all these things to make year-by-year comparisons, things remaining approximately the same. If you compared the United States with Great Britain, or even with Soviet Russia, you are more right than when you compare with Africa or China. But the second point I would like to make is that you shouldn't stop at that. This second point is the most critical issue, the reexamination of the relationship of public and private within the gross national product. The gross national product is our best frame of reference—what is to have the highest priority, and how do we accomplish bringing economic development somewhat in conformity with what the Nation evolves as its value system—what we also regard as the national interest.

Senator CASE. Now this is very fascinating and I am grateful to be able to sit down this way.

Senator CLARK. Let me ask you before we break it up—there has been a strong school of thought in the Senate that economic prognosis is an unrefined art or science, and that we are foolish to put any reliance on it. Even as well educated a Senator as Senator Proxmire believes this. He and others in effect say, "You just can't tell with enough certainty what the unemployment rate is going to be 6 months from now so that you can with any confidence determine whether a

bill such as this S. 986 is needed or not." How do you professional prognosticators react to that?

Dr. COLM. First let me admit that very grave errors have been made in the economic prognosis. And everybody who is interested in the art of prognosis should study all the errors made in the past, become a little humble and in his calculation include the possibility of error. He should say, "Now what harm do I do if people like you follow our recommendation." We have developed a name for this. We call it a calculation of minimum harm. This means at some time you had rather err on the one side than on the other side because you feel in some respect you can change your policy more easily than others. For example, it is more difficult to raise taxes after you have lowered them than to lower them later after you have raised them. After having said this, I don't want to throw out the prognostication entirely, partly because that is my business and the record has been bad in some respects but not entirely bad. Take the last recession. Last summer a group of economists discussed the outlook and reached a conclusion passed on to those interested that at the time of the inauguration there might be a recession. That was in the summer of 1960, when the Federal Reserve was engaged in restrictive monetary policy to fight the boom. Paul Samuelson referred to the so-called Samuelson report to which Senator Proxmire took strong exception. Samuelson's report was based, as he reminded you this morning, on the assumption that by summer of 1961 the recovery would be underway, even assuming a minimum modest Government program, because of the analysis in the inventory situation and other factors. If we go into longer range projection, the ability of the economy to grow has been quite accurately predicted 5 or 10 years in advance—not always fitting right in a particular year, but the ability to grow considering technology, increase in labor force, and so on. My answer to this is: we have got to have economics prediction; every businessman does it, and every politician will continue to do it, because otherwise you can't have rational policies, private or public. Therefore, let's develop the best method we can, but don't forget the high possibility of error. For every measure, consider what can you do if you are wrong. Now, if you go ahead with your \$500 million or \$1 billion program, we should ask ourselves now if the recovery is so much more vigorous than you expected, and so much more sustained, what harm is done if you go ahead with these public works. I say, not much harm, because you can have a tighter monetary policy. You don't need to cut it off from one day to the other, but you can step a little bit more on the monetary pressure.

Senator CLARK. We figured it out at 4 percent anyway.

Dr. COLM. So my answer to that is that we need economic forecasts; in some situations you can make reasonable economic forecasts with some degree of probability, but you can also be wrong and you can consider what to do if you are wrong.

Senator CLARK. You would put it a little bit above witchcraft.

Dr. COLM. Definitely.

Senator CASE. Why didn't we get out of the depression of the thirties until war spending started?

Dr. COLM. Well, Senator, the first time that the New Deal administration looked at this problem in a rational way was in 1937-38; that was the recession which interrupted the recovery. Until then, the administration of the Government did all kinds of good things but never in any coherent way. I remind you that President Roosevelt started this administration with two economy measures. He wanted to balance the budget in 1933. And it was the pressure of doing something on land holding of the farmer, because people were thrown out of their homes, doing something desperate for the unemployed worker. It was the pressure of a variety of groups that produced the New Deal, which in my opinion was not a national system of policy until in 1937 when there was a recession. Out of that, and from the Advisory Council of the Treasury, the Federal Reserve and the White House, something emerged as a policy which was quite successful. It was never put to a final test because then came the defense boom which started in September 1939.

Professor HAMBERG. May I say a word? There is perhaps more misapprehension on this subject than any other subject around. First of all, up until about 1935, and I can get you precise figures on this if you would like to have a detailed discussion, if you allow for the contraction of State and local spending, such increases in Federal spending as there were just about canceled out. In fact, in the first couple of years, total Government spending went down. Finally, around 1935, total Government spending does start to go up, in a sense, but given the magnitude of the depression and unemployment, it was pitifully small—in the neighborhood of increases of \$5 or \$6 billion. In that time and circumstances it was nothing, or next to nothing.

Senator CLARK. Suppose you let us have those figures. We might like to put them in the record.

Professor HAMBERG. In addition, you know, in 1932 they installed this new Federal Revenue Act, which had the effect of increasing tax rates in a variety of ways, which was of course deflationary at exactly the wrong time. Then there was a series of State and local tax increase, sales taxes, excise taxes, and so forth. The fact is that the net impact of New Deal Federal action was so small because the magnitude of the action was negligible. It is a complete misreading of economic history of those who say, "Look what happened in the thirties," and conclude that use of fiscal policies is futile. And I would say, in answer to the esteemed Senator from Arizona, that if you want to argue that it took a war to get us out of this thing, then I would say this is only a demonstration of how adequate fiscal policy could be if you had enough of an increase in Federal spending. I would put that shoe on the other foot and say, "There is your evidence if you get enough of it instead of the pitifully inadequate measures of the thirties; if you really put your heart and soul into it, there it can be effective."

Senator CASE. Is it really necessary to have that amount of spending which was generated during the war and has since kept Federal spending very high?

Professor HAMBERG. No, we have had high taxes. The argument that Government spending has been supporting the economy in recent years is not true because of the very high tax rate which has been in

effect. If you cut back one, then you can easily cut back the other, if those were the choices we decided to make.

Senator CASE. Well, it seems to me that what we have done is to take \$40 to \$45 billion out of the revenue of the country and throw it away because we put it in nonproductive things.

Professor HAMBERG. What do you mean by "throw it away" and what do you mean by "nonproductive things"?

Senator CASE. Defense expenditures.

Professor HAMBERG. Well, of course, Senator, but after all we are throwing it away because we are trying to preserve our national interests.

Senator CASE. Don't get me wrong. I am in favor of these expenditures. But is it necessary to have the economy operate to do that kind of thing?

Professor HAMBERG. You are asking me, has the present high-level spending been necessary for the high levels of employment. The answer is "No," because we also have high levels of taxes. If you cut back one, you could cut back the other.

Senator CLARK. Suppose we got universal disarmament tomorrow—

Professor HAMBERG. Well, there would be dislocations of course, but in the same sense that you had them after World War II. You would have allocation problems temporarily. But there is no reason financially why with a sufficient cutback in taxes we couldn't provide enough purchasing power in the private sector.

Professor BRAZER. We might have to have a large deficit with a lower level of Government expenditures than you have with a higher level of Government expenditures. In other words, if you cut back expenditures by \$40 billion and cut back taxes by \$40 billion too, this might give you a very serious recession. If you had budget expenditures of \$40 billion rather than \$80 billion, you might have to have a \$10 billion deficit; where a \$5 billion deficit would do the job at the \$80 billion level. Partly because every dollar you cut back in expenditures is a dollar in decreased aggregate demand for goods and services. Of every dollar you cut in taxes, part of this increase is disposable income and is not spent and will be saved.

Senator CLARK. Before you gentlemen go, will each of you give me a brief statement for the record as to your own thinking on to what extent we can rely on economic prognosis in particular with respect to the number of unemployed we look forward to having 3 months, 6 months, a year from now—which must be an important factor in determining the desirability of this legislation.

Professor HAMBERG. I would preface such an answer with exactly the same proviso as Dr. Colm. Our forecasting tools are indeed weak, less dull for short term than long term. I think Dr. Colm is absolutely right—we've done very well on short-term forecasts. With respect to this bill, it seems to me that an argument about a possible contribution it might make to inflationary pressures 6 months from now or even a year from now because we may be confronted with much more unemployment percentagewise would be a bad forecast. I think we have sufficient evidence right now among certain very critical indicators. For example, we have seen some relaxation of monetary policy in recent months and for the first time in the postwar era

residential construction hardly rebounded at all. In the past it has picked up the slack immediately as the contraction has taken place, and the monetary conditions have eased. This time it has not. And it seems to me you would get universal agreement among all economists in the postwar years and particularly in the postwar years residential construction has been a balance wheel for the economy. It has always been a critical item in the behavior of the total economy. Right now there doesn't seem to be any more room within the next year for a big boom in residential construction. It seems to me that this would be almost enough to guarantee the absence of this thing that Senator Proxmire is trying to envision. Secondly, I think if you look at capital investment spending and also look at the widespread excess capacity abounding in the economy, it would take an extraordinary degree of optimism to envision a capital goods boom in terms of business capital. If you don't have either of those, it takes some extraordinary act of faith based, insofar as I can see, on very little evidence. I don't see for example any big boom in our exports. So what's left—what is left? Inventory accumulation. Undoubtedly we will get some inventory accumulation, but you never get a big boom riding on inventory accumulation alone.

Senator CLARK. Military hardware and space.

Professor HAMBERG. Well, now we're going to increase Government spending, fine. But surely the projected increases are not that great, and this would just add a very small marginal amount to those increases. And, therefore, in conclusion I would say any contemplation of inflationary pressures would in the next year simply be romantically looking through rose-colored glasses.

Senator CLARK. Or dark-colored glasses with a mind of dismay, Professor Brazier?

Professor BRAZER. Senator, it seems to me that economists have been a long time recovering from the great mistake of 1945-46. I for one am glad that I was not a professional economist in 1945, so that I was not one who participated in the making of that great mistake. While I think our tools are still fairly weak, I think they are getting better all the time. I would refer you to, I think, the recent degree of very high success made by Professor Katona and others of my colleagues at the research center at the University of Michigan, whose surveys of consumer intent to purchase durable goods in the past 2 or 3 years have proved quite highly reliable. I think you can look at the efforts which have been made by McGraw-Hill and other organizations which forecast business intentions to acquire capital goods and find they have been improving. They have made mistakes, but the range of error has been encouragingly declining. The friends of mine who are in the business of engaging in econometric research, people such as my colleague. Professor Suits, in his quantitative economics seminar have in the last 3 or 4 years predicted at least the direction of change from one year to the next with rapidly increasing and I think amazingly good degree of accuracy. So that all of these things, I think, are encouraging. I don't agree with those who say our economic prognoses are so poor that we ought not to pay any attention to them. I agree with Dr. Colm, who I believe earlier suggested, that we ought to look at these prognoses in terms of fiducial limits or range of error and be sure that if we make mistakes in terms of policy we can readily

turn another policy which will enable us to correct these mistakes. Beyond this I would say only in conclusion that you can't be certain that if you direct an old lady to cross the street against the red light she is going to get killed. But the probability is pretty good that she will. But even if the probability is only 25 percent that she will, you ought not to tell her to cross the street against the light. I think to ignore the kinds of probability we can come up with by the way of economic prognoses is like ignoring the relative probabilities as between someone getting killed while crossing the street against the red light as against crossing against the green light. You can get killed either way. But probably it is better in one case than in the other. I think we can at least provide assistance in this kind of degree.

Senator CLARK. From which I conclude you would consider the desirability of the bill in the reasonable assurance that an unacceptable rate of unemployment will continue for the next 12 or 15 months.

Professor BRAZER. I would conclude that; yes, sir. I would say that your cutoff point is sufficiently conservative at 4 percent. We used to talk about 3 percent as being an acceptable level of unemployment. I think your 4-percent figure is sufficiently conservative. The fact that you have a cutoff point, the fact that you have a 12-month limit on the performance of the contract—

Senator CLARK. Only priority.

Professor BRAZER. Only priority, yes; but my guess is that in fact if you do give priority to such contracts in the first \$500 million, this should eat it up.

Senator CLARK. We will now hear from Dr. Brozen.

STATEMENT OF PROF. YALE BROZEN, PROFESSOR OF ECONOMICS, SCHOOL OF BUSINESS, UNIVERSITY OF CHICAGO

WHAT GOVERNMENT SPENDING DOES TO THE ECONOMY

Professor BROZEN. The predominant demand, among those who believe that the Government must "do something" about the recession, is for increased Government spending. The administration has offered a post-office construction program, and is increasing spending for defense purposes and public works out of appropriations already authorized. Congress has the usual omnibus rivers and harbors bill, more familiarly known as the "pork barrel," in the works. Bills are in the hopper to increase highway spending beyond the limits permitted by current highway tax receipts, to increase spending on schools, hospitals, and water projects.

Many of these will pass because of the belief that "pump priming" is necessary. Will this spending in fact prime the pump? Will it restore full employment, and can business plan in terms of an expanding market?

Before looking at the immediate picture, let us examine past trends and their meaning. This will help us place the current situation in perspective and enable us to better evaluate the significance of increased governmental spending.

In the 1920's, Government purchase of goods and services consumed 10 percent of our total gross national product. This left 90 percent to be used privately in any way individuals saw fit. They chose to con-

sume 70 percent of the gross national product and to invest 20 percent in better equipment and plant to increase productivity and in new housing to improve living conditions. During the post-World War I decade, our productivity rose in manufacturing industries at the rate of 5.5 percent per year as a result of the high rate of investment in plant and equipment.

In recent years, Government purchases of goods and services have consumed 20 percent of our gross national product. This is double the rate of the 1920's. Since Government has taken over the use of a larger part of our resources (manpower and capital), less has been left for individuals to apply as they see fit. As a consequence, the proportion of our product going into consumption and investment uses has declined. Personal consumption has dropped to 65 percent of our gross national product. The money taken away by taxes has cut the amount left to our wives for their spending. The decline in their spending has released resources for use by the Government. About 7 percent of the resources that would normally be used to produce goods for consumers are instead being devoted to governmental uses.

In addition to the cut in personal consumption, there has also been a cut in the rate of capital formation. This has fallen from 20 percent of the gross national product to 15 percent. The relatively lower rate of capital formation has slowed the rate of rise in productivity. In the post-World War II decade, productivity in manufacturing has risen by only 3 percent per year as compared to 5.5 percent per year in the post-World War I decade.

Almost 25 percent of the resources which would normally be employed to produce housing, plant, and equipment have been taken over for governmental use as compared to only 7 percent of those which would normally be employed producing consumer goods. Why has there been this three times greater fall in the rate of capital formation?

We came out of the 1930's with many people convinced that our economy was stagnant—that it had no further need for more locomotives, office buildings, long distance transmission and communication lines, and additional machinery. Savings were regarded as a "leakage" from purchasing power which would not be sufficiently "offset" by investment to maintain full employment. We redesigned our tax structure to reduce the rate of saving by imposing very high taxes on the people who do most of our saving. Since these are the people who saved in the past and acquired investments which produce income from which they continue to save, we imposed three tax levies on this source of income, while imposing only one tax on other types of income. Property income is hit by property taxes, corporate earnings taxes and corporate capital levies, and personal income tax. Other sources of income are hit only by the personal income tax. As a result, the rise in the level of Government spending not only has fallen on both consumption and capital formation, but also has fallen disproportionately more on capital formation. We are paying the price in a reduced rate of progress.

In a cold war in which Mr. Khrushchev has declared that the Russians will win by raising their productivity more rapidly than we increase ours, this is a dangerous type of tax structure. It is, in effect, a Russian weapon manufactured in America.

According to the best figures we can get, the Russians are saving and investing 25 percent to 30 percent of their gross product. Their net capital formation is occurring at a rate well over twice our own. Consequently, Russian productivity is rising more rapidly than our own, if our information is reliable. They are winning the productivity race.

This, of course, has very important implications for our choice of policies for stemming the recession. However, before analyzing the effect of the spending approach to curing unemployment, let us first see what is causing the current situation.

In the past year, manufacturing wage rates have gone up by 4.6 percent. Because of the price level rise, the increase in wage rate in real terms—in terms of purchasing power—is a little over 2 percent. However, our rise in productivity has been only about 1 percent in the past year. Whenever real wage rates rise more than productivity, we suffer unemployment. The 1954 recession was caused by a nearly 6-percent rise in real wage rates in a period when productivity rose by only 4 percent. The 1949 recession was caused by a 5.3 percent rise in real wage rates while productivity rose less than 4 percent. If we go back to the 1929-33 series of recession-depressions, we find there was an almost 4-percent rise in real wage rates during the time that productivity declined by 3 percent (as a result of a decline in quantity of capital).

Our current unemployment problem is one of labor being too high priced to be worth employing on some of the less productive equipment. If they are to be reemployed, we must either cut the real wage rate or put more productive equipment into use so that it is worth employing high-priced people.

The real wage rate can be cut in either of two ways. Money wage rates can be cut. Alternatively, we can increase demand by pumping money into the economy and cause price increases which will reduce the real wage rate. (Arbitrary price increases of the NRA and AAA type will reduce real wage rates, but sales will also decrease which will worsen the employment picture.) Since many rates are covered by union contracts, some of a long-term character, and others by minimum wage laws, the possible area of wage cuts is limited. Even in these areas, most employers are unlikely to press for wage cuts since social attitudes on this question make them reluctant to face the public opinion generated by this act.

Increases in Government spending may increase demand and prices, and thus cut real wage rates, provided they are financed by inflationary means. If they are financed by borrowing funds which would have gone into investment, the decline in capital spending will offset increased public outlays. This will also have the secondary impact of decreasing the rate at which new, more productive equipment is put into place. To this extent, Government spending will slow the rate at which people will be reemployed at current wage rates.

If the increased spending is financed by creating new money, by borrowing from banks which are provided with additional reserves by the Federal Reserve, it will increase demand and prices. We could more quickly do this by decreasing taxes than by increasing spending. It takes time to acquire property, draw the blueprints, and let contracts for additional highway, school, and hospital construction spend-

ing. A decrease in taxes would immediately increase private spending. A tax cut is preferable by far over more spending.

If we decrease the right taxes, we can get reemployment with a minimum of inflation. If we decrease those taxes which fall on investment income, such as the corporate income tax, the increased incentive to invest and the increased income saved and invested would more quickly lead to putting more productive equipment in place. With a smaller fall in real wage rates, we would more quickly arrive at full employment.

The tax cut which would be most effective in restoring employment without any cut in the real wage rate would be the elimination of the super-rates of 70 percent, 80 percent, and 90 percent on high bracket incomes. These rates are largely punitive. They produce little revenue, serving primarily to deter people from earning income in a form subject to these rates. If the 91-percent rate were cut to 50 percent, the loss in revenue to the Federal Government would amount to about \$80 million. Actually, there would very probably be more tax collected at 50 percent than is now collected at the 80- and 90-percent rates. People generally do not choose to earn income which will be subject to these rates. At lower rates, they would undertake new enterprises and risky ventures with which they do not bother now.

These new activities resulting from high-bracket tax cuts would provide employment. Since many of these activities would consist of risky research and development ventures and the design and marketing of new equipment, they would increase productivity and make it worth rehiring high-cost people. Also, the additional savings of high-bracket taxpayers would furnish the capital for more rapid replacement and modernization.

Since cuts in high-bracket tax rates are unlikely to cause any revenue loss to the Government, it will not be borrowing the funds (to finance a deficit) which are likely to go into the purchase of new equipment. The rate at which new equipment is put into place will not, then, be adversely affected and reemployment at current wage rates will come more rapidly than it would under schemes for creating deficits.

If we attempt to restore employment by cutting low-bracket tax rates and excises, only to the extent that the resulting deficit is financed by inflationary means will such measures serve the purpose. The increased demand for goods will be felt almost entirely in consumer markets. Since it will not be worth reemploying people on obsolescent equipment unless prices rise enough to cover high wage costs, we will restore employment by purely inflationary means—by a cut in real wage rates although prices increase. Since reduced tax rates will be offset by price increases, the real income of those who receive the tax cuts will benefit little.

If we wish to minimize inflation and reduce real wage rates as little as possible, the preferable method for restoring employment is to do those things which will lead to the more rapid investment in new, more productive equipment. Cuts in low-bracket rates and excise taxes do less toward this end than reduction in other varieties of taxes.

To sum up, increases in Government spending may or may not cause increases in demand for products. To the extent that it does, it is because the resulting deficit is financed by inflationary means. If we want to restore employment by an inflation-financed deficit, we can more quickly get a deficit and finance it by inflationary means by cut-

ting taxes than by increasing spending. Cutting low-bracket income taxes and excise levies will be purely inflationary. Cutting corporate earnings taxes and high-bracket income taxes in the manner provided in the Sadlak-Herlong bill, would minimize the amount of inflation and the amount of cut in real wage rates required to restore full employment. If we neither cut taxes, nor increase spending, we can get employment restored with minimal inflation by monetary policy such as open market purchases of long-term bonds by the Federal Reserve (although this is least in my interest as a professor paid in part from the interest income of our endowment). This would be less inflationary than low-bracket tax and excise levy cuts.

Above all, this is a time to avoid any more wage rate increases. Every increase will slow recovery and will tend to cause even more unemployment.

Who gets the GNP

[Percent]

	1929	1957
Personal consumption.....	70.1	64.5
Gross private investment.....	19.3	14.8
Government purchases.....	9.8	19.9

Senator CLARK. Thank you very much, gentlemen. Thank you very much for an educational afternoon, as far as I am concerned.

(By the order of the chairman the following telegram was ordered to be inserted in the record:)

SANTA MONICA, CALIF., June 1, 1961.

Senator JOSEPH S. CLARK,
Care Samuel V. Merrick, Counsel to the Subcommittee,
New Senate Office Building, Washington, D.C.:

Ref. E. and M.: Have been away from my desk several weeks, hence only now received your letter April 7 concerning S. 986. I do believe additional fiscal measures are necessary despite turnaround. The economy is still some 8 to 10 percent below potential, and recovery unlikely to carry us to full employment within a year unless stimulated by additional fiscal measures. Believe your bill excellent for the purpose in that it would help channel some of presently unused resources into expansion and improvement of our badly neglected public capital. Apologies for delay in answering.

FRANCIS M. BATOR,
Professor, Massachusetts Institute of Technology.

Senator CLARK. The subcommittee will resume its session.

Our next witness is Mayor deLesseps S. Morrison, mayor of the city of New Orleans, La., who doubles in brass as Gen. deLesseps Morrison, whom we are very happy to see here in both capacities.

He is a gentleman who has had a most distinguished record as one of our great American mayors.

Also, I am happy to see he is moving ahead in the ranks of those whom we will call on to defend our country.

General, we are happy to have you here. Will you move up to the table there.

Do you have a prepared statement?

STATEMENT OF HON. deLESSEPS S. MORRISON, MAYOR, CITY OF
NEW ORLEANS, LA.

Mayor MORRISON. Yes, I have.

Senator CLARK. If you would like to summarize your statement you may do that. Please proceed as you see fit.

Mayor MORRISON. I will refer to it and read from it as well.

Senator and gentlemen, first of all, I should explain that the Army board which I have to serve on, the Army policy board, meets normally on the 2d and 3d of June, but for some reason our meeting was advanced to this morning.

So I had to go there first before coming to this meeting.

I consider it an honor to represent the people of my city, Senator, before your subcommittee, particularly in view of the bill which is being considered today.

In common with all municipal officials I am deeply concerned with the grave problems facing our American cities. I don't think there is a community anywhere in the Nation which has sufficient revenues to take care of the countless needs and demands of its people.

As you know, of all the taxes paid by the average citizen, only about 6 percent goes to his city government. The rest, of course, goes to the county, State, and Federal Governments.

Yet it is to the city government that the citizen looks for facilities and services which most frequently affect his own welfare, and very directly.

Gentlemen, there can be no doubt that money, or, more accurately, the lack of it, is the principal problem facing American citizens today.

There are many reasons for this. First is the point I have already touched on, that is the preemption of local tax sources by the Federal, State, and county governments.

The second reason for our severe shortage of funds is the almost unbelievable growth of our suburbs whose people live beyond our city limits and, therefore, pay no city taxes.

Yet these same people make ever-increasing demands for city services in the form of traffic arteries, street lighting, street maintenance, police protection, and a whole host of similar items.

The third reason is the threatening decay of our central business districts which, as you know, represent the single biggest source of our tax revenues.

We have a saying among cities that the downtown part of our communities are our greatest asset, yet, because of a variety of reasons they have been suffering from three diseases:

No. 1, they have thrombosis or hardening of the arteries, inability to move the blood of commerce in and out of the central business district.

No. 2, they have high blood pressure, hypertension. The congestion of so many activities in a given space without proper service and facilities in that area.

No. 3, we have cancer, the spread of this cancer, blight and slums in the downtown heart.

Senator CLARK. That is a very drastic way of putting it. I have never heard it before. I think it is splendid. I will use it, myself.

Mayor MORRISON. You see, you have been out of the city for a while. Most of what we are trying to do in trying to protect this great asset

which is withering away is to try to eliminate these three diseases, we build expressways, superhighways, bridges, to get this commerce in and out of the heart of the city.

We attempt to provide proper parking, good public transportation, things of this kind to reduce the blood pressure.

At the same time we want to retain the attractiveness of the downtown heart so that together with this hypertension goes the program of beautifying and making more attractive and continue the magnetism of the central business district while giving it the service we are talking about and keeping the blood pressure down.

The third is operating on our slums; eliminate them and replacing them with good growth.

There is hardly a city that does not have all three.

In fact, most of our major expenditures have been in that very direction.

In my opinion, all of these have a direct bearing on the bill before you today.

You are, of course, most immediately concerned with the sharp rise in unemployment caused by the current business setback. But it is impossible to separate this from the overall plight of our American communities.

Gentlemen, there is no one who is a greater advocate of President Kennedy's program than I am. I am wholeheartedly in favor of our present "Alliance for progress," involving some \$600 million which, I believe, is the type of program that is the real answer to our problems in South and Central America, but I feel likewise that we have a strong obligation to care for the needs of our own citizens as well as this very fine program.

We have already spent some \$395 million in Laos, as I understand, and now there are some who say that this nation has been written off.

In fact, I heard Senator Mike Mansfield on television Sunday night a week ago who made exactly that statement, in spite of the expenditure of that vast sum of money that we consider Laos written off.

You compare that with the great good that can be accomplished with the passage of the Clark bill which would mean on a Federal expenditure of \$500 million immediate construction of vital projects to get underway here at home involving \$1.1 billion.

It is all well and good for the experts to predict a gradual rise in the national economy over the coming year. Be that as it may, it still does not solve our immediate problems of supplying jobs for our people who need them.

In my own community the unemployment in March was at 7 percent. It went up to 7.1 in April. So we still have not felt too much improvement in the unemployment picture.

Senator CLARK. Does that include your entire labor market or is it just the city of New Orleans?

Mayor MORRISON. That includes the metropolitan area of some 1 million people.

Nor does it solve our immediate problem of encouraging a continuing expansion of our present tax base which is our only hope for increased revenues and, I might add, the increased bonding capacity which is so vitally needed for the financing of our capital improvements which are based many times on and limited by virtue of our total assessed valuation.

Frankly, I cannot think of a more appropriate solution to our dual problem than the bill which we are discussing today.

No. 1, it will put many of our people to work immediately.

No. 2, it will immediately pump new dollars into our economy.

No. 3, it will help with the immediate construction of much needed municipal facilities which would otherwise have to be deferred indefinitely.

No. 4, by the construction of these facilities we will immeasurably improve property values thereby expanding our tax base to bring in more municipal revenues to solve other questions and problems.

In fact, it would be creating and building brandnew assets that didn't exist before.

I have something I would like to illustrate here today to prove this very graphically. I would like to sketch briefly the specific advantages which this bill would bring to my own city.

Some of you may know that one of our primary municipal problems is drainage.

Incidentally, in the city of New Orleans 60 percent of the land area is below the level of the sea that surrounds us. So without adequate drainage in various areas the land we have is of very little value.

In fact, we have to practically claim our land from the sea or from the lowlands surrounding the sea.

On the drawing boards, but presently deferred because of lack of funds is \$6.5 million drainage improvement to the Algiers section of our city, which is the west bank.

I am citing this particular area because it is the fastest growing section of New Orleans and continuation of this growth is directly dependent on expanding the various facilities.

Senator CLARK. You have your cancer area over in Algiers, too; do you not?

Mayor MORRISON. We do. We have eliminated one of those through a public housing project.

The Clark bill would put this project immediately in the works with fantastic benefits to our city. It is ready for letting of the contract.

In the same way, the eastern end of our city is also seriously in need of \$7.8 million of new drainage facilities.

I would like to show you, gentlemen, first of all, a map of the city of New Orleans. Of course, this is the central business district here.

The parish of Jefferson comes within 2½ miles of the heart of town. There are 200,000 people who live from here out to the airport.

Senator CLARK. That is outside the city limits?

Mayor MORRISON. Outside of the city limits, but very close to the heart of the city.

In fact, closer, really, than some of these other sections.

The reason for that is that New Orleans, when it was first founded 243 years ago, was a crescent city. It was shaped like a banana. Once you got back a half mile from the river, the land was of no value.

So the builders of the city didn't care what happened to property that was not on the river. So the parish of Jefferson came right in practically to the very heart of our city.

Of course, since then we have learned to artificially drain, to build levees to protect us from the sea.

First we build a levee to protect us from the seawater, levees also to protect us from the waters of the rising Mississippi, and then we proceeded to install drainage to remove the water from this low area to keep it out.

So the city is now full size like any other city.

The reason that Jefferson comes in so close and St. Bernard comes in so close and Plaquemines down here is that we were only concerned with land adjacent to the river.

Senator CLARK. Is that Lake Pontchartrain at the top of the map?

Mayor MORRISON. Yes, which is an arm of the Gulf of Mexico.

Actually, when you look north from New Orleans you look to the sea. It comes up around north of us.

This lake is about 25 or 30 miles wide.

Senator CLARK. Across the river are you still in the city of New Orleans?

Mayor MORRISON. Yes, this particular part, Algiers. This part is Jefferson.

However, the 15th ward of New Orleans is Algiers, which is shown there.

With the construction of a \$65 million bridge just completed 2 years ago every part of Algiers is within 10 minutes of Canal Street.

So it does tie right directly into the heart of our community. But these two areas are areas A-3 and A-2. This is \$6.5 million. This is \$7.8 million.

That is a base drainage. That is before you can do anything at all.

Of course, this living room is very, very badly needed. We are losing a tremendous amount of our population which is going upriver and downriver where the land is high and does not require artificial drainage.

So this represents a brandnew asset to our community.

The next two charts are just a further breakdown of the Algiers area in greater detail in the A-2, and the A-3 is the Gentile section I showed you just a little while ago, indicating the pumping station where they are going to be installed and the various canal networks that have to be installed.

The next item I wanted to mention is really fantastic. We have an area on the eastern end of New Orleans of 50 square miles, owned by one owner. It is now called New Orleans East. It is the same as having a city the size of Baton Rouge hooked onto the eastern end of New Orleans.

These people, together with the city, have started to develop this tract. They are spending this year \$5½ million without a dime in return. This happens to be the Murchison people from Dallas, Tex. They have unlimited resources to develop this new city, so to speak.

It is very ideal in many respects. First of all, we had to build a levee around it to protect it from the Gulf of Mexico and the rising tides. This cost \$3 million, and the levee has been installed.

The land is now flood protected. There are two big items that occurred that make this a vital project.

No. 1, a \$250 million interstate highway comes in the middle of it with a new bridge across Lake Pontchartrain under construction presently and the new interstate highway has a system of five interchanges throughout this tract of land which means that every bit of it is within 15 minutes on the expressway to Canal Street, of course, under construction presently.

When you add to this another very important Federal project, and that is a tidewater ship canal to the gulf which is in the third year of construction, it is indicated here on the map by this straight line as against the route of the river to the sea there is a savings of about 45 miles in distance.

This new canal will give us another Mississippi River in effect coming into the east and likewise proceeding through the New Orleans east tract.

So when you take a marshland—and here is a picture of what it looks like, just ordinary marsh you see out in the area you know so well in Louisiana, of practically no value—you place a levee around it, you run another Mississippi River through it in effect, which is the tidewater ship canal, and you build an interstate highway through the other portion of it, you give this whole area a tremendous importance and for, of course, further development.

Just to give you an idea first of all of what it looks like while the construction program is going on this is the tidewater ship canal. You see the types of land it is going through, of course digging this to a 36-foot depth.

We are catching all the spoil in a half mile strip all the way down to the gulf, 70 miles.

So we have a strip of 70 miles, a half mile wide, for new industries, on deep water, closer to the gulf really than the city of New Orleans.

Here is another picture of a new industry already under construction on the tidewater ship canal. We have four new industries on this canal and it is not even finished.

Here is another look at the cut just made, but not finished, looking out toward the gulf.

This gives you an indication of the construction of the interstate highway running through New Orleans east.

These big circles are the interchanges. First is the canal. Sand is pumped out for the construction of this highway.

Senator CLARK. Where does this canal start and finish?

Mayor MORRISON. It starts at Chandeleur. This is Chandeleur Island, the farthest island to the east and it begins here and runs through a lot of open water incidentally which has a protecting barrier and through these marshlands right to the eastern side of New Orleans.

Senator CLARK. Where does it end, in the river?

Mayor MORRISON. It ends with the industrial canal which hooks into the river.

In fact, this picture is at the beginning of the canal right here. It takes off with the industrial canal which is a deep sea waterway and goes to the gulf.

There is proposed a canal from Bayou Louisiana which is 15 miles below New Orleans and hooks up in the river to remove any bottleneck that occurs at New Orleans.

To get back to this tract—and I mention it because here again it is a question of looking to the future and the Clark bill, of course, gives us the matching funds will mean that we will capture and make effective for development vast tracts of land that have no assessed valuation, which will have great value and, of course, provide us with well-planned living space that we need so bad within our city limits—getting back to this tract it is unique, we have 50 square miles under one ownership which means we can do a very thorough job of planning. We can correct all the mistakes that have been made in the past and we can start anew.

Here we have a 7,000-acre industrial area served by two railroads and the new tidal ship canal.

This we cannot find anywhere else in our section of the country. We have that much consolidated area zoned for industry on the new deep sea waterway.

The rest of it represents 32 different neighborhoods.

But again we capture 8 miles of lake front which is a tremendous value. That, of course, is wasteland likewise.

We have a 6-mile lakefront which is probably one of our greatest assets.

Then this particular area which is outside the levee is to be developed with 7,000 1-acre sites that will be built up by the dredging to the same level as the levee, where a person of low income or median income can own his home and have a boat site.

Of course, when you consider it is within 15 minutes of Canal Street, this really is a great opportunity.

Senator CLARK. It sounds like more hypertension?

Mayor MORRISON. That is to relieve hypertension.

Seriously, I know my community is an example of many others. I see the mayor of Pittsburgh here, and I am sure other mayors have the same viewpoint, that without this assistance it is likely that these two big drainage projects which are immediately ready to go, the extension of utilities in the New Orleans east tract, all of these will be delayed 5 and 10 years.

As a matter of fact, I think the only reason that we have today a very up-to-date and modern airport with a fine terminal is that we had a 50-percent Federal contribution.

Otherwise, it would have had to be delayed to spend our money on those more critical items, streets, sanitation, police, and fire protection, et cetera.

Senator CLARK. I remember how long you were in getting that airport built because of your financial difficulties. It must have been very frustrating to you.

I was there the other day. I think it is one of the most magnificent airports in the whole country. I am interested to hear that the Federal contribution was very helpful.

Mayor MORRISON. We did delay the program. We did not want to embark on it without Federal funds, that is the full 50-percent contribution.

There were many hesitations. They said let us go ahead anyway. We won't get Federal funds.

We just kept on waiting, knowing that many airports were being built too soon and getting obsolete. We did wait quite a while and were justified.

The Democrats came back in, in Congress anyway, and the airport construction went back in the program in full force.

So this made it possible for us to accomplish something, a very worthwhile foundation.

So I want to indicate also that there are other projects other than these basic ones, water, sewage, and drainage, which are vital to areas of this kind.

I place those on the high basis in the expenditure of these funds because they are quick to construct; they will involve labor in construction, use of a lot of steel and items that help the economy, and they will create assets that do not exist today, very valuable assets to our tax base for State taxing purposes, city taxing purposes, as well as Federal taxing purposes.

Senator CLARK. Actually, from what you say, if these plans were successful and brought in all the industry you hope for to create all these benefits, the Federal income tax increase from that particular area would pay the expenditures of this bill in pretty short order, would it not?

Mayor MORRISON. That is correct. I mentioned already along that new tidal ship canal we have four new industries. It is not finished yet, they have finished the first cut through to the gulf, but the canal is only 18 feet deep by 200 feet wide.

By the time it is completed 3 years hence, it will be 36 feet deep by 500 feet wide.

Already, with just the incomplete canal, we have Bestwall Gypsum Co. plant, \$7 million, under construction.

We have the Folger Coffee plant, \$5 million.

We have a new plant of New Orleans Public Service, \$26 million.

A powerplant which is going to serve these basic industries presently under construction, and we have a new Shell Oil Co. plant which is going to extract the liquids from natural gas and produce various chemicals.

And \$10 million being spent on this plant is just the beginning of many phases of this program of extracting additional chemicals.

Since the oil and gas is produced in great abundance in this immediate area this is a real opportunity to get on the deep water, quicker voyage to the gulf.

To be in the center of an oil and gas area, and to have all the other assets I am speaking of, will give us a very quick return on our investment.

So I urge strongly to give favorable consideration to this bill. I think it will do a great service to our American communities.

It will bring untold benefits to our people and it will be a step forward for our Nation.

Senator CLARK. Thank you very much, Mayor, for your very lucid and helpful testimony.

Senator PELL?

Senator PELL. Mayor Morrison, is there going to be a railroad alongside of this canal, or not?

Mayor MORRISON. It will be rail served for a certain distance. In fact, it is already rail served. We do have the N. & N. Railroad and the Southern that serve this area.

Senator PELL. The railroads themselves are going in?

Mayor MORRISON. The Southern and N. & N. are already in this area. They proceed through a marsh area now, but the public belt railroad, which is a city railroad, of which I, as mayor, am the president, will serve the dock areas, the terminals that are going into this new type of ship canal.

Actually, it is one of the finest projects we have ever had.

When you stop to think it will double the capacity of our seaport. It will save millions of dollars every year to American shipping which is a nationwide saving.

This is a real wonderful project. Every dime the Government puts into it will come back, I would say, tenfold in assets.

Senator PELL. Thank you.

Senator CLARK. Thank you very much, Mayor Morrison.

(The prepared statement of Mayor Morrison follows:)

PREPARED STATEMENT OF MAYOR DELESSEPS S. MORRISON

Gentlemen, I consider it both an honor and a pleasure to represent the people of my city before your committee, particularly in view of the importance of the bill before you today.

In common with all municipal officials, I am deeply concerned with the grave problems facing our American cities. I don't think there is a community anywhere in the Nation which has sufficient revenues to take care of the countless needs of its people.

As you know, of all the taxes paid by the average citizen, only about 6 percent goes to his city government. The rest goes to the county, State, and Federal Government.

And yet it is to the city government that the citizen looks for those facilities and services which most directly affect his welfare.

Gentlemen, there can be no doubt that money—or, more accurately, the lack of it—is the principal problem facing American cities today.

There are many reasons for this.

First is the point I've already touched on—that is, the preemption of local tax sources by the Federal, State, and county governments.

The second reason for our severe shortage of funds is the almost unbelievable growth of our suburbs whose people live beyond our city limits and therefore pay no city taxes. Yet these same people make over-increasing demands for city services in the form of traffic arteries, street lighting and street maintenance, police protection, and a whole host of similar items.

And the third reason is the threatening decay of our central business districts which, as you know, represent the single biggest source of our tax revenues.

In my opinion, all of these have a direct bearing on the bill before you today. You are, of course, most immediately concerned with the sharp rise in unemployment caused by the current business setback. But it is impossible to separate this from the overall plight of our American communities.

Gentlemen, there is no one who is a greater advocate of President Kennedy's program than I am. I am wholeheartedly in favor of our present "alliance for progress" but I feel likewise that we have a strong obligation to care for the needs of our own citizens. We have already spent some \$395 million in Laos and now there are those who say that this money should be written off.

On the other hand, passage of the Clark bill would mean that almost a billion dollars of immediate construction on vital projects could get underway right here at home.

It is all well and good for the experts to predict a gradual rise in the national economy over the coming year.

Be that as it may, it still doesn't solve our immediate problems of supplying jobs for our people who need them.

Nor does it solve our problem of encouraging a continuing expansion of our present tax base which is our only hope for increased revenues and, I might add, the increased bonding capacity which we so vitally need for the financing of our capital improvements.

Frankly, I can't think of a more appropriate solution to our dual problem than the bill which we are discussing:

- (1) It will put many of our people to work immediately.
- (2) It will immediately pump new dollars into our economy.
- (3) It will help with the immediate construction of much-needed municipal facilities which would otherwise have to be deferred indefinitely.
- (4) By the construction of these facilities, we will immeasurably improve property values thereby expanding our tax base to bring in more municipal revenues to solve other problems.

I'd like to sketch briefly the specific advantages which the bill will bring to my own city of New Orleans.

Some of you may know that one of our primary municipal problems is drainage—a function carried out by our sewerage and water board.

On the drawing boards—but presently deferred because of lack of funds—is some \$6.5 million in drainage improvements to the Algiers section of our city. I am citing this particular area because it is the fastest-growing section of New Orleans and the continuation of this growth is directly dependent on expanded drainage facilities.

The Clark bill would put this project immediately in the works with fantastic benefits to our city.

In the same way the eastern end of our city is also seriously in need of \$7.8 million of new drainage facilities.

I would like to show you, gentlemen, a map of the fabulous development on the drawing board of the eastern end of our city. It is called New Orleans East.

Drainage is, of course, only one of many needed projects which are presently deferred because of lack of funds. For instance, our same sewerage and water board also has plans drawn for over \$3.5 million in additional improvements. These include such projects as sewerage pumping stations and the extension of sewerage force mains, construction of three new drainage canals and the installation of vitally needed underground power cable.

Other departments of the city government are likewise in the same position. There are at least \$4 million in priority projects which are now stalled because of lack of funds. These include \$1.2 million in street improvements alone and range all the way from street lighting to increased firefighting facilities.

I urge you strongly, gentlemen, to give favorable consideration to this bill. I think it will do a great service to our American communities and bring untold benefits to our people.

Thank you very much.

Senator CLARK. The subcommittee will stand in recess, until 9:30 tomorrow morning.

(Thereupon, at 11:30 a.m. the subcommittee recessed, to reconvene at 9:30 a.m., Tuesday, May 23, 1961.)

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EMERGENCY EMPLOYMENT ACCELERATION ACT

TUESDAY, MAY 23, 1961

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND MANPOWER
OF THE COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met at 9 a.m., pursuant to recess, in room 4232, New Senate Office Building, Hon. Joseph S. Clark (chairman of the subcommittee) presiding.

Present: Senators Clark (presiding) and Pell.

Committee staff members present: Samuel V. Merrick, professional staff member.

Senator CLARK. The subcommittee will be in session.

Our first witness today is Mr. C. D. Ward, general counsel of the National Association of County Officials in Washington, D.C.

Mr. Ward, we are happy to have you with us.

STATEMENT OF C. D. WARD, GENERAL COUNSEL, NATIONAL ASSOCIATION OF COUNTY OFFICIALS, WASHINGTON, D.C.

Mr. WARD. Mr. Chairman and members of the subcommittee, my name is C. D. Ward. I am general counsel for the National Association of County Officials, a nonprofit organization representing more than 9,000 county officials in some 3,000 counties.

In addition, we have affiliated associations in 44 States.

Counties are responsible for the construction and maintenance of a large percentage of the public works and facilities presently in existence in the United States, and participate in such federally aided programs as urban renewal, community facilities, National Airport Act, highways, water pollution, to mention but a few.

The legislation encompassed in S. 986 has never been officially considered by our association; consequently, we are unable to take an official position.

Nevertheless, we are vitally concerned with the problem which this measure is designed to alleviate.

Several months ago, we conducted a sample poll of approximately 65 counties to see how much construction could be placed under contract within 1 year with only the present type State and Federal assistance available.

A total of \$36,415,000 was reported by these counties, whose population varies from 5,000 to 1 million.

The second question was how much could be placed under contract within a year if the Federal Government immediately instituted a public works program at low interest rates, or a program to place

Federal guarantees on money borrowed from private sources. The amount reported was \$136,075,000.

I might interject here that these figures do not include the survey conducted by the Supervisors Intercounty Committee to be mentioned by the next witness, also the Contra Costa County survey by the following witnesses.

Although the program that would be created by S. 986 would provide grants for public works, we feel our survey on loans is relevant. If the reporting counties could increase their expenditure for public works under the circumstances described, it would appear that an increase would also follow if Federal grants are made available.

We have invited representatives from various counties to express their interest in S. 986 and to relate how this measure would benefit their own locality and to present their local views. These gentlemen are:

Messrs. M. S. Neilsen and E. A. Linscheid of Contra Costa County, Calif.; Mr. Delos Hamlin, Oakland County, Mich.; and Mr. Bernard Kalahar, of Macomb County, Mich.

Mr. Hamlin will be testifying in behalf of the six-county Supervisors Intercounty Committee.

We are desirous of obtaining the viewpoints of less populated counties than the ones you will be hearing from this morning. As a result, we contacted Mr. Richard Shelton, secretary-treasurer of the West Virginia Association of County Officials. Mr. Shelton advised us that due to the bonding limitation placed upon West Virginia counties, as well as their present financial condition, it is unlikely that any county in West Virginia could take advantage of S. 986.

We are of the opinion this fact would hold true in a great many of the smaller counties that are suffering from unemployment. Perhaps some thought might be given to providing different criteria for such areas.

I think Mr. Hamlin may have some suggestions on that particular facet of the situation.

I appreciate the opportunity of appearing before you this morning.

Senator CLARK. Thank you, Mr. Ward.

Senator PELL?

Senator PELL. No questions.

Senator CLARK. The next list of witnesses are M. F. Nielsen and E. A. Linscheid, heard together, county supervisors, Contra Costa County, Martinez, Calif.

Will you gentlemen be seated.

Let me express our appreciation to you for having come so far to testify concerning this bill.

Will you just please proceed in your own way.

STATEMENTS OF M. F. NEILSEN AND E. A. LINSCHIED, COUNTY SUPERVISORS, CONTRA COSTA COUNTY, MARTINEZ, CALIF.

Mr. NEILSEN. My name is Mel F. Neilsen. I am one of the five elected supervisors who are responsible for the direction of the government of Contra Costa County, Calif.

Accompanying me is Mr. E. A. Linscheid, who is also one of the supervisors from Contra Costa County, Calif. Our county is one

of the nine San Francisco Bay area counties. It has a land area of 730 square miles and a population of 410,000.

I am appearing here today in response to the invitation of your chairman to present testimony in connection with S. 986.

During the worst part of the recession period more than 8 percent of the employable working force in Contra Costa County, Calif., was without jobs.

At the present time slightly more than 6 percent of our employable working force does not have employment, and it appears that we have reached a point where there will be little or perhaps no further reduction in unemployment unless action is taken to stimulate placement of workers.

This fact may be verified in our county from data available through our welfare agency and through the California State Department of Employment.

We have scheduled our capital improvement needs over a 5-year period, and we find that it is necessary and vital that a minimum expenditure of \$35 million be made.

Actually, this is not only a minimum, but a parsimonious figure because it has been determined that our county road construction needs alone, in terms of money, will amount to over \$100 million between the present time and 1970.

This startling total was determined through careful analyses based on current construction costs and estimated traffic on our county roads by 1970.

I might add we spent \$160,000 2 years ago to have this study made by the Ralph Tudor Corp.

A large proportion of our county revenues is obtained through property taxes which are becoming an increasingly greater financial burden upon our citizens.

The enactment of S. 986 would be extremely helpful to us in connection with the reduction in the number of people who are employable and who are without jobs.

In addition, of course, we would be able to implement our planned capital improvement program.

We believe that we could match Federal grants under the provisions of S. 986 in the amount of \$1 million for office and institutional buildings; \$1 million for road construction, and from \$500,000 to \$1 million for park development, and we believe we could perform the work involved in a relatively short period.

None of this construction work can be performed in a reasonable length of time unless we can obtain grants or subventions in the proportions somewhat comparable to those which I have cited.

We hope that your subcommittee will give favorable consideration to the enactment of S. 986, and we can guarantee that such funds as are made available to us under this legislation will be used effectively, both in terms of a reduction in unemployment and in the provision of much needed facilities.

Senator CLARK. Thank you very much, sir. We appreciate your testimony.

Senator PELL?

Senator PELL. I have no questions.

Mr. NEILSEN. Thank you.

Mr. LINSCHIED. Thank you very much, gentlemen.

Senator CLARK. Our next witness is Mr. Delos Hamlin, Oakland County Board of Supervisors, Pontiac, Mich.

STATEMENTS OF DELOS HAMLIN, CHAIRMAN, OAKLAND COUNTY BOARD OF SUPERVISORS, PONTIAC, MICH., AND BERNARD KALAHAR, CHAIRMAN, SUPERVISORS INTERCOUNTY COMMITTEE, DETROIT, MICH.

Mr. HAMLIN. Mr. Bernard Kalahar, chairman of the Intercounty Committee of the metropolitan area of Detroit.

Senator CLARK. Thank you, gentlemen. We are happy to have you here.

I will ask to have filed for the record, although not made a part thereof, a study of the Detroit metropolitan area planned public works, together with covering letter of Governor Swainson, who has sent in a statement in support of S. 986.

Will you gentlemen please proceed in your own way.

Mr. HAMLIN. Mr. Chairman and members of the committee, my name is Delos Hamlin. I am chairman of the Oakland County, Mich., Board of Supervisors, and have served in that capacity for the past 6 years.

I am also immediate past chairman of the Supervisors Intercounty Committee, an official governmental organization composed of the six Michigan counties of Macomb, Monroe, Oakland, St. Clair, Washtenaw, and Wayne, which comprise the Detroit metropolitan area, an area that covers nearly 4,000 square miles and has a present population of over 4,200,000.

I am testifying today in an effort to express the keen awareness and deep concern county officials have regarding the myriad problems confronting them, problems brought about by a continuing population explosion with its subfactors of urbanization and suburbanization which have resulted in a terrific increase in the population of the Nation, not only in amounts, but much more important, in the location of these population pockets of increase, which had been first of all, in the large cities of our country.

The trend we are seeing now is a slowing down of the increase in population in the cities, and tremendous increases in the suburban fringes, which surround these urban core cities.

This trend has dramatically pointed out an alarming inadequacy or complete lack of public works and facilities which unfortunately county government, with its uncertainty of financial resources, is able to do little or nothing about at the present time.

We in county government look to this bill, S. 986, with the firm conviction that it constitutes a useful and practical approach toward construction of vitally needed public works facilities.

Senator Clark's bill presents a vehicle whereby minimum expenditure of funds can result in a maximum increase of employment so necessary, not only in our State of Michigan, but throughout the entire Nation.

In April of this year, as a result of a letter received earlier from President Kennedy, which asked that every effort be made to accelerate essential building and expenditure programs that would help re-

invigorate our Nation's economy, the Supervisors Intereounty Committee assumed the responsibility of gathering and preparing for presentation to the present State and Federal administrations, a compiled inventory of presently proposed, vitally needed public works projects in the Detroit six-county metropolitan area.

These various public works projects had a total estimated cost of \$1,206,996,630, and would provide a total estimated 300,770,000 labor man-hours.

As the Senator remarked in his opening statement, we hope that this committee will file the inventory.

Senator CLARK. I should like to note for the record I believe this is an extremely valuable document which will be a substantial help to the committee as it proceeds to this bill.

Mr. HAMLIN. Thank you.

With 54 percent of the total State of Michigan's population being within our Detroit six-county metropolitan area and with a history of unemployment, both short term and long term, that has reached as high as 14.2 percent of the State's total labor force, it is indeed imperative to begin construction, as soon as possible, of public works facilities that will not only provide much needed employment and protect the public health, but also result in an orderly serviced, properly financed, and well planned Detroit metropolitan area.

A most important aspect of S. 986 is that it provides a logical manner in which State and local governments can solve the present serious unemployment problem.

It at the same time enables acceleration of capital expenditure programs which are properly planned well in advance of future needs, which improve present community services, and protect the health and welfare of the people.

We sincerely believe this fine bill is one of the vitally needed instruments local government can utilize to pull up its own economic bootstraps by providing employment for a large part of the present surplus work force that is 11 percent of the State of Michigan's total labor supply.

However, we believe that since, unfortunately, many smaller communities, not only in our State of Michigan, but throughout the Nation, may be frequently unable to provide the still needed 55-percent matching funds due to possible legal restrictions such as a fixed budget that cannot be increased, some consideration should be given to provisions that might permit:

(1) A deferred-payment arrangement with such communities of the required matching funds;

(2) Flexibility in the 45- to 55-percent matching formula for those smaller communities that would not otherwise be able to participate in a capital expenditure program of this type.

In keeping with President Kennedy's often expressed belief that local government should attempt to solve its own problems before receiving Federal assistance, I would like to point out that favorable consideration of bill S. 986 by this honorable committee would lead toward the initial stages of a governmental partnership at the Federal and local levels whereby through proper financing a depressed area's economic condition can be alleviated, unemployment problems can be solved, and the impact of a program of immediate construction of

public works facilities for the Detroit and other metropolitan areas throughout the Nation would be manifest within the Nation's total economy.

Senator CLARK. Thank you very much, Mr. Hamlin.

Senator Pell?

Senator PELL. I note that you say 11 percent of your labor supply is surplus. What is the percentage in your own six-county area?

Mr. HAMLIN. I believe it would be a little higher than that. It was checked last week and the State total is 11. Our metropolitan area does run usually higher than the State's average.

Senator CLARK. Actually, Mr. Hamlin, Senator Hart testified here yesterday that the percentage of the labor force which was unemployed in the State of Michigan, was 14 percent.

I do not know whether his figures are older than your figures. What date did you get your figures?

Mr. HAMLIN. This was last Thursday we got the figure of 11. It had been running 14, 14.2 up until the last 2 or 3 weeks.

Senator CLARK. Where did you get your figures?

Mr. HAMLIN. From the Michigan State Economic Commission.

Senator CLARK. Thank you very much, gentlemen.

Mr. HAMLIN. Thank you very much.

Senator CLARK. Our next witness is Mr. Armand Cote, director, Rhode Island Department of Employment Security, Providence, R.I.

Mr. Cote will be here shortly so we will proceed with Charles T. Stewart, research economist, chamber of commerce of the United States.

Please come forward, Mr. Stewart. We are happy to have you with us.

**STATEMENT OF CHARLES T. STEWART, JR., RESEARCH ECONOMIST,
CHAMBER OF COMMERCE OF THE UNITED STATES, ACCOMPANIED
BY HARVEY G. HALLENBECK, JR., ASSISTANT, CONSTRUCTION
AND CIVIC DEVELOPMENT DEPARTMENT**

Mr. STEWART. Mr. Chairman, I am accompanied by Mr. Harvey G. Hallenbeck, who is an assistant in the construction and civic development department.

Senator CLARK. Do you want to summarize your statement, Mr. Stewart?

Mr. STEWART. I would like to read it, probably omitting some portions.

Senator CLARK. Go ahead.

Mr. STEWART. I am Charles T. Stewart, research economist, chamber of commerce of the United States.

The chamber is grateful for your invitation to appear before this subcommittee on S. 986. We have studied carefully the bill, keeping in mind the present unemployment situation and the need for its alleviation.

Our comments on S. 986 fall into three parts:

First, the net impact of this bill, if enacted, on recovery from recession and on reemployment.

Second, some remarks on the device of matching grants to help States and localities expand their activities along specified lines.

Third, the procedures for allocating funds provided by the bill.

In evaluating the proposed legislation, we have considered other ways of achieving some of the same objectives, to provide yardsticks against which to measure the bill. These alternatives are—

(1) Tax reform and reduction stimulative to investment and economic activity.

(2) Return of part of the Federal tax base to State and local governments, empowering them to deal more effectively with unemployment and provision of their government needs.

POTENTIAL EFFECTS ON ECONOMIC STABILITY AND EMPLOYMENT

S. 986 would set up a discretionary stabilizer in addition to currently available automatic and discretionary fiscal and monetary stabilization measures. The bill would provide grants, aggregating as much as \$1 billion, for which contracts could be let only when the rate of unemployment, seasonally adjusted, would be above 4 percent.

Priority would be given to grants for projects on which construction contracts could be let within 90 days, and construction completed within 12 months after it is initiated.

Construction on priority projects would terminate in theory 15 months after the economy reaches a level which would reduce unemployment to 4 percent.

However, it is only reasonable to assume that in actual practice some contracts would not be let within 90 days nor initiated forthwith, and many projects would not be completed within 12 months after the start of construction.

Because of the long delays in reducing grant-financed construction, this program would not prove countercyclical in effect. It would be necessary to discontinue grant contracts many months before unemployment falls to 4 percent in order for the program to discriminate between recession and prosperity.

Unfortunately, the ability to forecast unemployment rates accurately even a few months ahead is yet to be developed.

Another reason why this bill would not operate in a countercyclical manner is the 4-percent unemployment cutoff point.

Since 1948, with the exception of the Korean war, the longest period with unemployment at or below 4 percent was 4 months, during 1957.

In the present decade the reduction of unemployment is likely to prove more difficult than it was in the past decade.

REASONS FOR THIS ARE SPELLED OUT IN THE NATIONAL CHAMBER PUBLICATION, AUTOMATION AND UNEMPLOYMENT

It will not be possible to keep unemployment below 4 percent for periods long enough to stop or appreciably reduce spending under this bill in prosperous times.

Moreover, unless we succeed, through means other than that proposed in S. 986, in keeping unemployment at or below 4 percent for very prolonged periods, this bill will not be countercyclical, but procyclical; it will prove to be a discretionary destabilizer, rather than a stabilizer.

The reason for the probable procyclical effect is that the bill uses the device of matching grants.

Senator CLARK. Let me interrupt to ask you, Mr. Stewart, whether that last statement represents the considered policy of the national chamber.

Does your organization believe that we can have a prosperous economy with an unemployment rate of not lower than 4 percent of the labor force?

Mr. STEWART. This is not a question of policy, but a matter of opinion. I would say the majority of the membership share the opinion that although 4 percent can be attained, certainly it cannot be maintained for long enough periods continuously to appreciably reduce the matching grants under this bill.

Let me add that this is a question of a particular historical context. In 1965 we might have to revise our opinion about this particular 4-percent rate.

Senator CLARK. I want to be fair, but as of now, the Chamber of Commerce of the United States of America is not very much concerned over an unemployment rate which goes lower than 4 percent.

Do you think that is normal and good and meets your objective?

Mr. STEWART. The chamber would be concerned with any unemployment whatsoever, but it does feel that in the next few years it is unlikely that we can get below 4 percent for a continuous period of time.

This is a feeling which is shared by Walter Heller and other members of the administration.

Senator CLARK. I think you are misleading when you so quote Mr. Heller. We have him on the record in a quite different way.

Mr. Heller has said he is shooting now for a 4-percent rate. He has indicated a 4-percent rate in his judgment is quite unsatisfactory and he is trying to make it lower.

Mr. STEWART. I heard him say that 4 percent was only an intermediate goal, that he thought the ultimate objective should be $3\frac{1}{2}$ percent or even 3 percent. There is a difference between the objective that you would like to attain and what you can really attain.

Surely our objectives would be possibly zero unemployment, but we don't expect to achieve it.

The ability of State and local governments to take advantage of these grants—through increased tax revenues, or through borrowing—is greater in prosperity than in depression.

Therefore, more money is likely to be spent under the proposed program in prosperity when spending is not needed than in recession, when it would be most helpful.

This is a defect, not of the bill in particular, but of the device of matching grants in general.

Senator CLARK. It is the position of the chamber, is it not that we can have prosperity in this country while we still have an unemployment rate of 4 percent or more?

Mr. STEWART. The chamber has no definition of prosperity. I would say that prosperity with 4 percent unemployment is certainly feasible.

I would also add that the unemployment rate mainly affects the distribution of prosperity. The actual amount of it is measured in total supply of goods and services. You can't have conditions of rapidly increasing supply of goods and services with no reduction in unemployment, as we have seen in the past.

Senator CLARK. Actually, your primary concern is with personal income and not unemployment.

Mr. STEWART. No, we are concerned both with the productivity effects and the distributive effects.

Unemployment means that the distribution of the goods and services produced is inadequate, just as the existence of any areas with very substandard incomes or any particular portions of population that are destitute represent not necessarily the lack of production, but lack of proper distribution.

Senator CLARK. Let me put it this way:

The chamber is reasonably content with the status of the economy right now, is it not?

Mr. STEWART. No, the chamber is not content with the status of the economy. That is why they are plugging for tax reform and various other measures which would improve the economic situation.

The bill correctly states that unemployment is too high. But the bill's implicit diagnosis that high unemployment is due to lack of employment opportunities, is only partially correct, and, therefore, its explicit concern with increasing employment opportunities, is at best a partially appropriate remedy.

This is so because many employment opportunities are going begging. Even in long-term depressed areas, such as West Virginia, the want ad columns advertise many unfilled jobs.

Is the number of employment opportunities inadequate? There are no comprehensive data on job openings and, consequently, no one knows, for sure, the answer to the question.

What is known is that there are shortages in many skill categories, surpluses of many workers who have little or no skills, or who have the right skills, but are in the wrong places.

Senator CLARK. Is the chamber contending there are presently adequate opportunities with almost 5 million people who are presently unemployed?

Mr. STEWART. The chamber in its testimony before the House Subcommittee on Unemployment and Automation contended that we just don't know enough about current job openings or prospective job openings and we urgently need better information, both in order to place workers now unemployed and to orient our training and retraining programs.

Senator CLARK. The chamber has taken no position on a retraining bill as yet, has it?

Mr. STEWART. No, it has not. In evaluating the benefit of increased construction activity resulting from this bill, it is vital to distinguish between direct employment of workers on grant financial projects, and indirect employment and income generated both by spending of added payrolls and spending on construction materials and equipment.

There is some slack in construction employment, and in industries producing materials and equipment for construction.

But the construction outlook is very good indeed. In fact, in some areas there seems to be a continuing shortage of construction labor, as evidenced by the fact that some skilled construction workers have been able to earn \$600 to \$700 in a single week.

Contrast this with the much more severe unemployment situation in other industries.

This bill is not designed mainly to relieve unemployment directly—or it would make provision for limiting grants to labor market areas with high rates of unemployment.

Nor is the bill designed to employ as many additional workers as possible, for if it were, it might well forbid use of grant funds for overtime compensation, it might restrict employment to workers previously unemployed; it might omit the clause applying the Davis-Bacon Act to projects financed under it—since this act in many cases raises the cost of a project and thus tends to reduce the physical amount of construction and worker man-hours.

The foregoing analysis points to the multiplier effect—on income, output, and employment in general—as the economic justification for this bill.

The question should be asked and answered: Is this the best way of exerting Government leverage on the economy?

In terms of timing, acceleration of projects already underway, would be far more appropriate than initiation of entirely new projects. This is already done as a standard practice at the Federal level.

Deceleration, once recovery is well underway, would also be much more feasible than attempts to time project completions so as to coincide with recovery.

Senator CLARK. Again, Mr. Stewart, while I suppose the chamber does not define recovery anymore than it defines prosperity, it seems to me that it is implicit in your testimony that one could have recovery with a substantially high rate of unemployment.

Mr. STEWART. The normal situation in recoveries is that production and income rise well ahead of employment because they first affect the labor force in increased hours per worker rather than in increased number of workers.

There is a lag. Of course, if the upswing is one of rapidly increasing productivity there is failure of employment to increase in proportion to output even allowing for the lag.

Senator CLARK. If you get this prosperity as you define it, then the chamber is not concerned about the rate of employment?

Mr. STEWART. Prosperity cannot be defined solely in terms of aggregate amount of goods and services.

Prosperity reflects the well-being of individuals and therefore must also consider the distribution of goods and services among individuals.

Senator CLARK. Let me put it this way:

If gross national product were to increase, let us say, 5 percent over last year, the chamber would be content with the economy, would it not, regardless of the number of unemployed?

Mr. STEWART. No, it would not be happy. Up until quite recently, the unemployment rates and output rates moved so closely together that there was no problem as to definition of prosperity and recession.

The last recession was unique in that throughout most of its extent unemployment kept on rising, but employment also kept on rising, and so did personal income and GNP.

So one might even argue, although I don't know anyone would argue it as of now, that really it was not a recession.

This bill does not seem to provide for accelerated spending on projects already underway, or for deceleration as recovery progresses.

In terms of meeting long standing public needs, improving community services, and enhancing health and welfare, the priority given to projects which can be executed in 12 months is a serious restriction. It eliminates from consideration projects which may be far more important, but whose planning and design may not be sufficiently advanced, or whose efficient construction requires a longer period.

With recessions as mild and short as they have been in the postwar period, it is virtually impossible to reconcile the two objectives of recovery and providing the most useful public facilities.

Furthermore, the restriction of spending to brick and mortar, or their equivalents, lessens the bill's social usefulness.

Some of the most valuable and pressing public needs are not for brick and mortar, steel and concrete.

The program proposed by S. 986 could be of net benefit to the Nation only on the assumption that the public projects which would be subsidized would have greater utility than the private needs which would be met in alternative uses of similar amounts of funds.

Manifestly, the same amount of private spending induced by tax cuts would be more helpful to employment and to national welfare than the spending to be induced by this bill.

The stimulus provided by additional selected public construction is a narrow one; it is some time before additional demand for concrete and brick is translated into more washing machines, automobiles, and college educations.

A stimulus to expenditure along a broad front, as would be provided by tax cuts, would have a prompter impact and would be less distorting to individuals patterns of demand and production.

If the voters of a community, who in theory would reap most of the benefit from construction of additional local public facilities, are unwilling to bear without the proposed subsidy the cost of these facilities, it seems most inequitable to distribute the costs among the many other communities who would reap no benefit.

To say that construction of a facility whose benefit is not deemed worth the cost would create jobs is a mistake; such construction is nothing but a make-work project.

Specifically a make-work project is one whose benefits are not judged worth the cost to the presumed beneficiaries.

When the Federal Government pays 45 percent of the projects, a community can consider projects whose benefits are only worth as little as 55 cents on the dollar. There is nothing in this bill to preclude financing of such essentially make-work projects.

Our objective should be increasing real income, output, and employment. If we do not take care to eliminate make work components of grant financed public facilities, we could have increased statistical employment without corresponding increases in real output and income. A high employment recession is possible.

Finally, in terms of net impact on employment and output, this bill provides no safeguards against mere transfer of State and local funds from unsubsidized activities.

There is no assurance that increased employment and income stimulated by grants under S. 88 will not be canceled by reduced employment and income resulting from curtailment of other Government activities.

There is no safeguard against creation of new public bodies eligible for grants under this bill—even though public capital expenditures by the parent public body declined—or for calculated variations in expenditures by the many quasi-municipal corporation which typically operate within given areas.

Thus it may be possible to simply transfer revenues from other capital expenditures to match Federal grants under this program.

MATCHING GRANTS

There has been much discussion of the relation between Federal financing and Federal control. Some methods of financing, such as matching grants, imply a great measure of Federal control of State and local activity; other methods, such as return of tax resources to local governments, minimize the extent of Federal control. The choice of methods depends on the individual's position on local autonomy versus Federal power.

Our preference for local autonomy is based on principle and on history; it should only be set aside for urgent and weighty reasons.

Matching grants and devices which exert a great deal of Federal influence on State and local government policies. It is quite correct that no local government is compelled to accept funds, but it is very difficult to refuse the Federal Government bearing gifts. To take advantage of the 45-percent matching grant, a State or local government can do one of two things:

It can increase its revenues above the level it had previously determined as best, either by raising taxes or by increasing its borrowing;

Or, it can, within existing levels of taxation and borrowing, shift funds from activities not subsidized by Federal grants to activities so subsidized.

In other words, matching grants alter the pattern of expenditures which the State or city had previously determined to be best.

The matching grant thus distorts State and local spending, directing it to projects in which the local government directly pays—in the case of S. 986—only 55 percent of their full cost.

More to the point, the matching grant tempts local governments to spend on projects which they do not consider to be worth, in benefits, their full costs, as well as on projects which, by definition, have lower priority than those undertaken without the sop of a matching grant.

Senator CLARK. Let me interrupt you for a moment and ask you to go back to page 5, where you make the point in the second full paragraph, and I quote:

Finally, in terms of net impact on employment and output this bill provides no safeguards against mere transfer of State and local funds from unsubsidized activities.

In the light of that statement, I would like you to comment on the provision on page 4, line 7, of S. 986, and I quote:

No grant shall be paid with respect to any project unless such project results in a net increase in the current annual level of capital expenditures of the applicant.

Mr. STEWART. I see no contradiction. I am thinking of the possibility of transferring from noncapital expenditures, operating expenses.

Senator CLARK. I don't believe from my experience that this would occur nor be permitted under my bill.

Mr. STEWART. As to the suggestion as to the possibility of new public bodies being designed explicitly to avoid limitation, I am not competent to judge the feasibility of that approach.

By diverting local resources from higher benefit to lower benefit activities, and from higher priority to lower priority activities, matching tied grants reduce the efficiency of Government spending, waste resources, slow growth.

If local governments are induced to raise their revenue in order to match Federal grants, they redistribute income between the private and the public sectors away from the relation deemed best in the absence of matching grants.

Recession, of course, is no time to induce State and local governments to raise taxes in order to match Federal funds.

The device of grants serves to bypass the hard, dull, but essential process of balancing costs and benefits. It invites what the logicians call the fallacy of composition. Each State, paying say, one-fiftieth of the cost of any Federal grant it receives, feels that these Federal funds are virtually costless, and may use them prodigally.

Or, aware that it pays a small part of the grants given the other 49 States, it tries to obtain more than its share of the funds and benefits.

Thus, the States severally increase the total demand for grants, and their own costs in paying for them.

We have no assurance that the grants will yield more benefit to the Nation as a whole than they cost.

We favor as an objective the financial independence of every State and local government, realizing that this is an objective attainable only in the long run. A return of part of the tax base preempted by the Federal Government to State and local governments is better than any kind of grant.

Our reason for this preference is that local government financing expenditures with local tax revenues must calculate not only the benefits of their expenditures, but the costs of taxation and borrowing.

With Federal grants, they are exempted from social cost accounting.

REGRESSIVITY

The impact of this bill will be regressive. This undesirable result issues from the fact that it provides matching grants. Clearly, wealthy communities are in a better position to match Federal funds than poor communities.

Likewise, communities and States with low taxes are in a better position to raise matching funds than States and communities which are taxing themselves to the limit of their taxable capacity.

If failure to provide tax funds or approve bond issues for urgent public needs is a form of community delinquency, then this bill would make delinquency pay off.

What are the alternatives which would reduce the regressive features of this program?

Basically they are four:

First, the limitation of grants to communities whose needs are greatest and which are exercising every reasonable effort to meet their own needs.

Obviously, the measurement of need and of local and State efforts to meet that need poses nearly insuperable problems.

Second, supplementing matching grants with a subsidized loan program permitting hard-pressed communities to borrow their required matching funds. This is a complex alternative way of bypassing the matching features of S. 986.

Third, increasing State and local financing capacity by Federal tax cuts and returning part of the tax base to the States and localities.

Fourth, Federal tax reform, improving the supply of private investment funds, and increasing incentives for productive private investment.

The latter is the best of the four alternatives.

Senator CLARK. Let me ask you to be a little bit more specific. Would I be right in saying when the chamber speaks of Federal reform they have in mind primarily a cut in the Federal income tax on corporations and reduction on the surtax rate on individuals?

Mr. STEWART. They look for reductions in the progressivity of the personal income tax which they feel, first, is not effective because there are so many ways of getting around paying 91 percent.

If a man is eligible to pay 91 percent they presume he is smart enough to find ways around it.

Second, the eventual reduction of the corporate income tax rate.

Right now I think their main concern is with liberalizing the depreciation allowances.

Senator CLARK. Actually the chamber would be opposed, would it not, to tax reform which resulted in a reduction in the Federal income tax on lower income groups?

As far as I know, it has taken no position in support of closing any of the notorious loopholes which presently exist.

Mr. STEWART. I do not think the chamber has at this time, this moment, a comprehensive program of tax reform. I am sure it will develop one as this matter begins to concern Congress in the forthcoming months.

I think we would oppose a piecemeal approach of changing it tax by tax and try to look at the tax picture as a whole before deciding which taxes to cut or to reform.

I certainly think the chamber will be in favor of widening the income tax base. We all realize that the loopholes and exemptions in the personal income tax are so great that only half of the personal income is actually taxed.

If the base is broadened somewhat it would be perfectly feasible to reduce the rates without reducing the revenue purely aside from whatever effects it may have in stimulating growth.

Senator CLARK. On tax reform that has concerned many Members of Congress and also members of the executive branch for the last 3 or 4 years, the chamber presently has no program of its own?

Mr. STEWART. No comprehensive legislative program. It has positions on specific taxes which fit together to form a total package.

I might say that Walter Heller also seems to be in agreement that there is some urgency in reducing the burden of taxation at the Federal level.

Senator PELL. I agree with you it is a commendable objective to reduce the loopholes and reduce the upper bracket taxes and also on

the importance of increasing depreciation allowance and trying to direct revenue into new capital equipment.

It would seem to be along the lines of the President's tax message.

I wonder if the chamber has taken a position on that one way or the other.

Mr. STEWART. The chamber has been asked to testify on six different pieces of the tax message.

I do not know what the positions are on any of them except the one on the investment tax credit.

We favored liberalization of depreciation instead of credit for unusually large investments which we think would operate in a destabilizing manner because the credit would be greatest in prosperity when investments are high and least in recession when investments are low.

Senator PELL. You would support then the projected administrative measures to reduce the upper bracket income tax?

Mr. STEWART. I am sure we will support the reduction in the upper bracket. We also advocate reduction of all bracket rates. The extent of those reductions will depend partly on what is done with the other taxes.

I don't think you can look at the other taxes in isolation and say this should be raised or reduced. You have to look at the entire tax picture.

You can't even say this particular tax, per se, is a severe burden on the taxpayer. You have to ask who ultimately pays the tax in an economic sense.

Maybe the taxpayer merely raises the price for the services he sells, or lowers the price he will pay for things he buys and shifts the tax to someone else.

Senator PELL. Would you support, then, the reduction in the loopholes, the flattening out of the per diem allowance, and things of that sort?

Mr. STEWART. As far as I know, the chamber has no position on this. I would say that concentration on closing loopholes is often just a psychological subterfuge for avoiding tax reform.

Senator CLARK. The chamber has certainly not supported any efforts heretofore to minimize the racket of business expense deductions.

I know they have never taken a position on that.

Mr. STEWART. I don't think we have taken a position one way or the other. Many of these abuses can be reduced or eliminated by greater emphasis on competitiveness of the American economy which would eliminate the opportunity for some of these abuses.

Senator CLARK. Will you please go ahead, Mr. Stewart?

Mr. STEWART. Restrictions and safeguards: The restrictions on grants under this bill are of several kinds. Grants can only be made for the construction of specific public works and facilities, which, however, are very inclusively defined.

Grants are only made to a public body if they result in a net increase in the current annual level of capital expenditures of the applicant.

This restriction, as already noted, may be avoided. The bill does not define capital expenditures, as it should. The amount of a grant is limited to 45 percent of the project cost, or the net increase in the current annual level of capital expenditures attributable to the project, whichever is the lesser.

Grants can only be made for projects whose construction can be commenced and completed within a reasonably short period of time. No specific time limitation, however, is mandatory, although priority is given to projects which can be constructed in 12 months, with a lag between grant contract and construction contract of 90 days or less.

No recommendation is made on the lag between the construction contract and actual initiation of construction. No penalties are incurred for extending construction beyond the projected time period.

The liberties allowed under this bill are more impressive than its restrictions.

The President may, upon application, and under such rules and regulations as he shall prescribe, make grants * * *.

Also:

such limit [\$500 million] may be increased at such time and in such amount, not exceeding \$500,000,000, as the President determines * * * is necessary to fully accomplish the objectives of the Act.

Further:

The President may delegate any function, power, or authority conferred upon him by this Act to such departments, agencies, or offices of the Government as he deems appropriate. * * *

In effect this bill hands over to the President \$1 billion to be spent by him much as he pleases, on almost any public activity which can be labeled construction.

The criteria it lists, mostly of an advisory nature, in effect place little additional restraints on the President's freedom of action. The bill provides no safeguards to assure that the expenditures will in fact achieve the purposes for which they are intended, other than that no contracts must be let in such time periods when the seasonally adjusted rate of unemployment falls to 4 percent and lower.

This safeguard will not prove effective.

We realize that in the business of government it is possible to rely too heavily on detailed prescriptive rules and allow too little scope for authority and the exercise of judgment.

It is a question of balance and compromise. There is a time and place for relinquishing of congressional prerogatives to the Executive.

This bill we feel grants authority and discretion to the Executive which is not warranted at this time or in this way.

Another question troubles us which we hope has been carefully thought out. There are many programs providing grants, loans, and other aids to depressed areas, for housing low-income families, for providing various community facilities.

These are administered and supervised by a bewildering and probably unnecessarily large variety of agencies, bureaus, and administrations.

How would S. 986 fit into the overall picture? To what extent would it supplement, to what extent complement, to what extent duplicate existing programs?

This brings up a question which apparently disturbed Dr. Colm when he was testifying before this subcommittee.

Do we have adequate information on State and local programs in order to most appropriately allocate the funds given by this bill?

Senator CLARK. May I interrupt, Mr. Stewart, to read into the record and ask you to comment in the light of that last statement the provision on page 4 of line 19 of the bill and I quote:

No grant shall be made in the case of any project if the grant or a commitment for a grant has been made with respect to such project under any other act of Congress.

Mr. STEWART. I will ask Mr. Hallenbeck to comment on that since he is familiar with the regulations.

Mr. HALLENBECK. I believe this is in harmony with Dr. Stewart's statement. I believe that the statement at the bottom of page 8 refers to the administration and supervision of a large variety of programs and certainly the paragraph which has just been cited makes the statement that the duplication of the actual grants shall not take place.

Nonetheless, I believe there is some administrative problem involved here.

Senator CLARK. Go ahead.

Mr. STEWART. In summary, S. 986 transfers from Congress to the executive branch more authority and discretion than is warranted either by the economic situation the bill is designed to cope with, or by the benefits which the bill is likely to offer.

The method of matching grants-in-aid gives more power to the Federal Government over the affairs of State and local governments than is justified in this particular case.

By distorting the spending pattern of local governments, it would reduce the benefits obtained from the use of Federal, State, and local tax revenues.

The proposed program would not act as a cyclical stabilizer, but would have the opposite effect: it would aggravate cyclical fluctuations. It would besides prove regressive in application, benefiting rich communities more than poor, low-tax communities more than high-tax communities.

The problems of unemployment are real and serious. Improvements in the stabilizing power of the Federal budget are desirable.

But we do not feel that the proposed legislation would, if enacted, further the solution of either problem.

Senator CLARK. Thank you very much.

Senator Pell.

Senator PELL. No questions.

Senator CLARK. Thank you very much, Mr. Stewart.

Has Mr. Cote, of Rhode Island, come in yet.

Mr. COTE. Yes, sir.

STATEMENT OF ARMAND COTE, DIRECTOR, RHODE ISLAND DEPARTMENT OF EMPLOYMENT SECURITY, PROVIDENCE, R.I.

Mr. COTE. Mr. Chairman and other distinguished members of the committee, at the request of Gov. John A. Notte, I am appearing before this subcommittee to present Rhode Island's serious problem of unemployment and to seek early alleviation of this problem through the appropriate Federal aid programs.

We in Rhode Island appreciate the deep concern that Senator Clark has shown in the area of unemployment and its attendant problems and are proud of the fact that our own, and my very good friend, Senator Pell, has been so closely associated with him in these efforts.

Declining employment and persistent high unemployment have plagued our Rhode Island economy ever since the end of World War II.

The story of Rhode Island's economic plight is, I am sure, familiar to the members of this subcommittee and to other interested observers.

Through the efforts of our State development council and other co-operating redevelopment groups, Rhode Island has succeeded in bringing in some industries and jobs in recent years.

We are hopeful that these continued efforts will bring in more and more new jobs to our unemployed.

But, as of now, we are still far short of the number of jobs we need for our labor force.

Our employment has continued to run heavier than in the Nation into the present year. For the first 4 months of this year, unemployment in the State averaged 9.8 percent, compared to 7.6 percent for the Nation—not seasonally adjusted.

Thus, Rhode Island rate has been running nearly a third higher than the national average for the 4-month period, and the national rate is, of course, serious enough to sound a warning that remedial steps, both short-term and long-range, must be taken without further delay.

We are, of course, bending all efforts to diversify, improve, and permanently strengthen our Rhode Island economy through new industries.

While we are working toward this long-range goal of reconstructing our economy our most crying need is for emergency work programs and alleviation right now to prevent further hardships for our thousands of long unemployed workers.

Accordingly, it would seem that Federal aid in the form of the acceleration of capital expenditure programs of State and local public bodies as provided in S. 986 could be a vital factor in creating increased employment and stimulating economic activity in Rhode Island.

The State of Rhode Island, through the Rhode Island Development Council, prepares a 6-year capital improvement program, updated annually in terms of needs, timing, and changed conditions.

Because of fiscal limitations, much of this program would currently be desirable for the general well-being of the State must of necessity be spread over several years.

The availability of Federal funds could possibly permit the construction of a number of these needed capital improvements within the next year, thereby creating jobs for our unemployed in addition to being of great benefit to the general economy of the State.

The Rhode Island General Assembly is now in overtime session and is expected to adjourn possibly within 2 weeks. Therefore, it is imperative that S. 986 be passed without delay so that our State legislature could provide for the necessary State expenditures and authorize bonding expenditures for the cities and towns.

Senator CLARK. Mr. Cote, do you think the Rhode Island General Assembly would generally be in support of S. 986?

Mr. COTE. I believe it would be, yes.

We might arrange for a resolution on the part of the general assembly calling that to your attention. I shall look into that on my return.

The major emphasis of the State of Rhode Island in the field of long-range capital improvements has been given to the Interstate Highway System.

In the interest of bringing into being a completed highway system as a means of encouraging industrial development, and for the convenience of the citizens of the State, the Interstate System which was previously scheduled over a 14-year period is now anticipated to be completed within 7 years.

While much of our State highway system is already a part of the Federal-aid program, there are a number of State interest highways which are not eligible for Federal aid, and which had to be deterred.

It has been necessary also to defer many important and desirable State capital improvement projects in other areas of State concern—particularly in the field of education. As an example, our two State institutions of higher education in the State must expand facilities to accommodate expected increases in student enrollment.

Contemplated construction to provide for this increased enrollment represents a total investment of millions of dollars.

In addition to educational facilities the 6-year capital improvement plan includes many projects which have been recommended or requested by various State government agencies. Included are such items as:

- (1) Buildings and facilities for the State police;
- (2) Additions and improvements to State institutional buildings, particularly hospitals;
- (3) Bathhouses and facilities at State recreational areas;
- (4) Aeronautical facilities;
- (5) State vocational training buildings.

The passage of this bill could greatly benefit Rhode Island in these instances by permitting us to complete within the coming year projects which were originally scheduled over a 5-year period and longer.

In the instance of local cities and towns, time has not permitted an exhaustive review of the possibilities of the acceleration of local programs. We have found, however, by contacting all of our cities and several of our larger towns that there is a definite interest in the proposed bill provided that enabling legislation can be obtained before the general assembly adjourns.

For example, the cities of Pawtucket and Warwick have both expressed interest in accelerating their city highway and sidewalk programs and construction of additional water mains and other specialized projects, but in both cities the question of funds locally available would have to be explored.

The city of Woonsocket has proposed the construction of a sewage treatment plant in the near future and it is possible that this program could be accelerated.

In addition, they have a number of smaller projects such as municipal parking lots, which might also qualify under the provisions of the bill.

The city of East Providence is contemplating a highway construction and reconstruction program which could be accelerated, and in addition has deferred projects of playground development and the construction of sewer and water lines.

The city of Providence has a number of major projects in the planning stage which are currently in the status of deferred projects. These possibly could qualify under the provisions of the act.

By far the most important of these projects are related to development of the downtown master plan, but include in addition a number of smaller projects such as the replacement of the Francis Street Bridge.

At an election to be held in the town of Lincoln in late June, voters will decide on proposals for capital improvements amounting to \$2 $\frac{1}{4}$ million. Included are a new senior high school, and a badly needed town hall which will also house police and fire departments.

In conclusion, I would like to state that the provisions of this bill would definitely be to the advantage of the State of Rhode Island, and of its individual cities and towns, but unless action on this legislation is taken almost immediately, we will find it difficult to take advantage of its provisions without having to recall the general assembly into special session.

Senator CLARK. Thank you very much, Mr. Cote. We are grateful to you for coming down.

Senator PELL?

Senator PELL. I would like to express my great pleasure at seeing Mr. Cote here. I want to ask just one question:

If the bill does not pass prior to the adjournment of the legislature, it could still be taken advantage of without recalling the special assembly in session, could it not?

Mr. COTE. So far as bringing about the necessary State funds or enabling legislation for the city and towns, the general assembly action would be needed.

Senator PELL. It would have to be called back in session?

Mr. COTE. I am afraid so, yes.

Senator PELL. Even an optimistic estimate on action on this bill we are discussing now would not be prior to adjournment?

Mr. COTE. Some back home might consider me optimistic when I mention adjournment in 2 weeks. It could go beyond that, of course.

Senator PELL. Right.

Senator CLARK. Thank you very much.

Mr. COTE. Thank you, gentlemen.

Senator CLARK. Our last witness is Mr. William J. McSorley, Jr., assistant to the president, Building and Construction Trades Department, AFL-CIO.

STATEMENT OF WILLIAM J. MCSORLEY, JR., ASSISTANT TO THE PRESIDENT, BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

Mr. MCSORLEY. Thank you, Senator.

My name is William McSorley, Jr., and I am assistant to the president of the Building and Construction Trades Department, AFL-CIO.

On behalf of President C. J. Haggerty, and the department, I want to express my appreciation for this opportunity to appear this morning.

We are very much interested in S. 986, the emergency employment acceleration act of 1961.

We would like, in particular, to emphasize our position of agreement with the policy and purpose of this act and the various categories of "public works" as defined in the act.

There is legislation pending consideration by this Congress that will, if approved, definitely provide employment for a great number of construction workers as well as an equal number of workers in the supporting industries.

However, a definite time lag, because of the problems of planning, site acquisition, drawing board time, and so forth, preclude any immediate solution to the employment problem which at present is extremely high in the building industry.

For example, during February 1961 the unemployment figure in contract construction was 27.6 percent.

During March 1961 the figure was 23.4 percent.

Senator CLARK. May I interrupt you, Mr. McSorley, to state that those are most interesting statistics in the light of the testimony of Mr. Stewart of the U.S. Chamber of Commerce to the effect that the construction industry was booming and everybody was happy and employed.

Mr. McSORLEY. Yes, sir; we feel that the Labor Department figures for April will show approximately 20 percent still unemployed.

Our problem of unemployment is not limited to any particular locality, but it is widespread throughout the industry and the country.

Senator CLARK. Let me interrupt you again to quote part of the statement of Mr. Stewart and ask you to comment. He says in his statement:

In some areas there seems to be a continuing shortage of construction labor as evidenced by the fact that some skilled construction workers have been able to earn \$600 and \$700 in a single week. Contrast this with the much more severe unemployment situation in other industries.

Do you think that is a fair statement of the employment condition in the construction industry?

Mr. McSORLEY. No, I do not; very definitely.

I say that our unemployment is not confined to any particular locality, but is spread generally throughout the country.

Senator CLARK. And it is substantial, is it not?

Mr. McSORLEY. Substantial.

Senator CLARK. Far in excess of the national unemployment figures?

Mr. McSORLEY. Yes.

Senator CLARK. If what you say is true, and I have no reason to doubt it, you have 20 percent unemployment in your industry as opposed to a national average of around 6.

Mr. McSORLEY. These are Labor Department figures and the March figures were 23.4 percent.

The April figure has not been released by the Labor Department as yet, but from conversations and so on, we expect it will approximate 20 percent.

Senator CLARK. Actually April is one of your better months, is it not, as a rule?

Mr. McSORLEY. It is a starting month; yes, sir.

Senator CLARK. While you expect some improvement during the summer, are you sanguine that that unemployment rate will be cut in half by the middle of the summer?

Mr. McSORLEY. No, we do not think it will.

For example, the current unemployment figures for building tradesmen in the following cities as of Friday, May 19, 1961, are: Chicago, 10,000; St. Louis, 6,014; Springfield, Ill., 950—we put in Springfield, Ill., 950. It is a small city. We put that in to show that the problem is acute even in the smaller cities; San Francisco, 1,200; Seattle, 2,497; Pittsburgh, 8,000; and Boston, 2,800.

Senator CLARK. Now, these figures are all union members?

Mr. McSORLEY. Only our members.

Senator CLARK. Which by and large are skilled workers, are they not?

Mr. McSORLEY. Skilled craftsmen who have spent years on apprenticing and spent years on the job in many cases and are highly skilled.

We have building and construction trade councils in some 530 cities throughout the 50 States, and, in our opinion, the great majority would report varying degrees of unemployment.

Ordinarily, at this time of year we should be edging toward our annual seasonal peak employment. We are also just about at the deadline for the letting of any further heavy construction contracts which would get underway this year.

I mention this to emphasize the fact that we are involved in a serious unemployment situation and that it is not likely to get too much better this year unless there is an immediate boost such as we feel S. 986 would create because of the grants being contingent on 90-day starts.

In our opinion the public works called for and defined in S. 986 are needed in some form and to some degree in almost every community throughout the country.

These are projects that are in many areas already planned, with sites available, that have been deferred for lack of adequate funds.

In most cases they are the type projects that could be undertaken very quickly and would immediately create on-site employment.

For example, many communities have public buildings which are in need of structural repairs, additions, alterations, or paintings which would only require bids and acceptance prior to work being started.

Many communities could immediately undertake a street resurfacing program, again with only the letting of the contract presenting and delay between the grant and on-site employment.

We are particularly pleased with the labor standards as set forth in section 5 of the act which calls for the payment of all laborers and mechanics employed by contractors and subcontractors at rates not less than those determined by the Secretary of Labor to be prevailing on similar construction in the locality in accordance with the Davis-Bacon law, as amended.

Senator CLARK. I notice, Mr. McSorley, that your pleasure over that section is offset by the displeasure of the Chamber of Commerce of the United States, which apparently is interested in cutting labor costs rather than protecting labor standards.

Mr. McSorley. We don't believe that any Federal money should be used in any case to pay contractors who are going to cut the existing wage standards and working conditions in the particular localities where that money is spent.

We sincerely hope that S. 986 will be given early and favorable action so that some measure of immediate relief may be given to the unemployment problem in the building industry, and that many needed improvements to community facilities may be undertaken without further delay.

Senator CLARK. Thank you very much, Mr. McSorley.

Senator Pell?

Senator PELL. No questions.

Senator CLARK. The subcommittee will stand in recess subject to the call of the Chair.

The Chair will arrange for the prompt hearing of administration witnesses on these bills.

In my judgment an overwhelming case has been made by the testimony in support of S. 986, and I have asked the staff to prepare in memo form a summary of testimony so that this summary may be available to administration witnesses before they come down here.

Senator Pell, do you wish to add anything?

Senator PELL. No, thank you, Mr. Chairman.

Senator CLARK. The subcommittee will now recess subject to the call of the Chair.

(Thereupon, at 10 a.m., the subcommittee recessed, to reconvene at 2 p.m., June 12, 1961.

1. The first part of the paper discusses the general theory of the subject. It is divided into two main sections: the first section deals with the general theory, and the second section deals with the special theory. The general theory is based on the principle of least action, and the special theory is based on the principle of least time.

2. The second part of the paper discusses the application of the general theory to the special theory. It is divided into two main sections: the first section deals with the application of the general theory to the special theory, and the second section deals with the application of the special theory to the general theory. The application of the general theory to the special theory is based on the principle of least action, and the application of the special theory to the general theory is based on the principle of least time.

3. The third part of the paper discusses the conclusion of the paper. It is divided into two main sections: the first section deals with the conclusion of the paper, and the second section deals with the conclusion of the paper.

EMERGENCY EMPLOYMENT ACCELERATION ACT

MONDAY, JUNE 12, 1961

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND MANPOWER OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met at 2 p.m., pursuant to recess, in room 4231 New Senate Office Building, Hon. Joseph S. Clark (chairman of the subcommittee) presiding.

Present: Senators Clark, Randolph, Pell, and Prouty.

Present also: Samuel V. Merrick, subcommittee counsel.

Senator CLARK. The subcommittee will be in session.

Mr. Secretary, we are delighted to welcome you back today to present the administration's testimony on S. 986, the Emergency Employment Acceleration Act of 1961. Please proceed in your own way, sir.

STATEMENT OF HON. ARTHUR J. GOLDBERG, SECRETARY OF LABOR

Secretary GOLDBERG. Mr. Chairman and Senator Randolph, I am glad to be here again today.

Senator CLARK. We are grateful to have so much of your time.

Secretary GOLDBERG. The fact that I have been appearing before this subcommittee so frequently indicates the great importance of the work that this subcommittee is doing. I have a statement in reference to S. 986, the bill which you are considering, which I should like to offer for the record.

Senator CLARK. The statement will be printed at this point in the record.

(Secretary Goldberg's prepared statement follows:)

PREPARED STATEMENT OF ARTHUR J. GOLDBERG, SECRETARY OF LABOR

Thank you for giving me the opportunity to discuss briefly with you this afternoon the administration's position with respect to the legislative proposals for a public works program embodied in S. 986, introduced by several distinguished members of this subcommittee, Senator Clark, its chairman, and Senators Randolph and Pell.

S. 986 is designed to assist in reducing unemployment by accelerating the capital expenditure programs of State and local governments through Federal grants for public works which can be begun promptly and completed over a reasonably short period of time.

The bill would authorize \$500 million in Federal grants to State and local governments to cover 45 percent of the costs of capital improvements of all kinds, provided that these capital improvements represent an increase in the level of capital expenditures of the jurisdiction concerned.

Priority would be given to projects which could be put under construction within 90 days and completed within 1 year thereafter.

Another \$500 million would be made available if, after the initial authority was committed, the President concluded the economy required additional stimulation. The authority to make grants would be automatically terminated when the seasonally adjusted rate of unemployment fell below 4 percent.

The administration believes that S. 986 represents a constructive approach to providing employment in a period of recession. There is little doubt that during such a period, accelerated public work programs can do much to relieve the impact of the recession upon our workers and the communities in which they live, and that they are a good way of providing a useful kind of help. They not only are useful in providing needed employment, they also are useful in providing permanent additions to valuable public facilities in our local communities.

But, the recession in which this country found itself when this administration took office in January has been halted and recovery appears to be underway.

Business orders and sales have started to increase, production is rising, and the gross national product in the second quarter promises to be substantially above the low point in the first quarter of this year.

While economic events are not easy to forecast, we may expect a considerable lift in the months ahead from the cyclical reversal in inventory behavior and increases in Government expenditures at the Federal, State, and local levels. This can be expected to increase employment opportunities, personal incomes, and consumer expenditures, and to encourage business investment.

As the President stated so well in his special message of May 25 on urgent national needs: "An affirmative antirecession program, initiated with your cooperation (meaning that of the Congress) supported the natural forces in the private sector; and our economy is now enjoying renewed confidence and energy."

An area redevelopment program has been enacted into law. Aid to dependent children of the unemployed has been authorized. The minimum wage law has been improved. Federal procurement and construction have been stepped up. The operations of the U.S. Employment Service are being expanded and improved. A bill authorizing temporary extended unemployment compensation has been enacted. All this has already been done, and other programs recommended by the President are now before the Congress.

The President recognized, as we all do, that "the task of abating unemployment and achieving a full use of our resources remains a serious challenge."

Unemployment is still a serious factor, particularly in certain areas of the Nation. But, though still high, it has declined. In May, the total number of unemployed had declined from well over 5 million to 4,800,000. As we expect it to decline further as the recovery which has started gains momentum. For in addition to the antirecession program already initiated, the administration is proposing further measures, short range and long range, to curb unemployment and increase economic growth.

As you know, there has just been introduced in Congress the administration's manpower development and training bill, S. 1991, designed to make a general overall attack on the problem of helping our unemployed workers to retrain for the increasingly complex jobs of today.

There has also been introduced the administration's bill, S. 2036, to establish pilot programs for finding the best ways of helping our young people who need jobs to acquire the necessary skills and work experience.

I have already discussed both of these measures with you in some detail in prior appearances and urge the vital necessity for recognizing our Federal responsibility in these areas. These measures could do much to relieve the unemployment problems of both our young and adult workers, problems which are becoming even more acute because of the growing complexity of our industrial and commercial society.

The President in his May 25 message also spelled out other measures for expanding economic growth and achieving more full recovery. Among these were the administration's investment tax credit legislative proposal, already submitted, as well as plans to increase the lending capacity of the Small Business Administration, to reduce the cost of home buyer's mortgages, for further lowering of interest rates, for general credit ease, and for further monetary growth.

Through these and further measures which may be taken or proposed by the administration, as well as the expected cooperation of all segments of the private sector, we are hopeful that the recovery which has already begun will be accelerated.

The administration therefore does not believe that now is the appropriate time to initiate broad scale federally financed public works programs or to place the further strains on the Federal budget which such expenditures would entail. We believe that we should give the measures which have been and will be taken, as well as the economic forces which have been generated, full opportunity to take effect in an already recovering economy.

As I am sure you are aware, we will, however, keep the state of our economy under constant scrutiny and review. We will also study the substantive details of S. 986 with a view to assuring that it could be put into operation swiftly if needed. The approach used in S. 986 is a promising one and should be kept constantly up to date.

If the Congress considers it desirable or appropriate to enact such a bill on a standby basis we believe that the most it should do is to authorize the President to put the programs into effect when he finds economic conditions to be such as to warrant such action.

If recovery from the recession should be halted and the economy again take a serious downward turn with unemployment soaring, I am assured that the administration will take immediate action to do something about it. At such a time, a measure such as S. 986 would undoubtedly hold promise of valuable results.

Thank you again for letting me take up your valuable time today to bring you these assurances from the administration.

Secretary GOLDBERG. I want to say at the outset that the administration believes that S. 986 represents a very thoughtful approach to the problem of providing employment in the period of recession. There is no doubt at all in my mind that accelerated public works programs can do much to relieve the impact of the recession upon our workers and the communities in which they live, and that they are a very good way, indeed, of providing a very useful kind of help.

This is so not only, or even primarily, because they are useful in providing needed employment, but they are useful intrinsically in providing permanent additions to valuable public facilities in our local communities.

Therefore, the essential approach which this bill takes is a most constructive approach, and, Mr. Chairman, I want to commend you and your cosponsors for the thoughtful way in which you have proceeded in this bill to address yourself to this problem.

Now, I also want to state to you candidly, as I have the duty and am charged with the responsibility of doing, the administration reaction to the bill with respect to the current economic situation in which we find ourselves. When we took office in January, we were in the midst, as the President pointed out, and as it was my duty to do so, that we were in a full-fledged recession in this country. Since that time, recovery appears to be underway and, just as it was our responsibility to point out the facts then, it is equally our responsibility to point out the facts now.

The signs of recovery are evident in several areas. Business orders and sales have started to increase, production is rising, and the gross national product, which had fallen below \$500 billion, is on the rise. All economic indexes indicate that in the third quarter we will probably reach a gross national product in excess of \$510 billion, and we hopefully may reach \$530 billion in the fourth quarter.

Now, events are not easy to forecast, but there is substantial evidence in the statistics coming to my Department that employment also is beginning to ease somewhat, but not nearly enough. The number of unemployed as such has been, of course, decreasing. The decrease is evident. It has declined from well over 5.5 million to, as our latest

figures indicate, about 4,800,000, and probably when we give the June figure, it will be less than that, but the seasonally adjusted rate, unfortunately, has been remaining very high.

Senator CLARK. Actually, Mr. Secretary, would you not expect that, with the schools getting out and the labor force being increased by the number of young people joining it, while the seasonally high adjusted rate would not go down much, actually the gross rate would not either, would it?

Secretary GOLDBERG. That is correct. I was referring to the June figure, which will be the figure before the schools let out, and that will undoubtedly show another decline in the total number of the unemployed.

Also, we have the factor that one of the hopeful signs is that the workweek is lengthening again. This is always a barometer of recovery. We were down to a point where the average hours of work per week were at a postwar low in January and there has been a small, but steady, and appreciable rise since then.

Now, while these signs of recovery, as I have indicated, are most encouraging, nevertheless, it is to the credit of this committee that this committee has recognized, as the administration recognizes, that unemployment is still a very serious factor. We cannot be satisfied and we must regard as entirely unsatisfactory an unemployment rate 6.9 percent. We will have to do considerably better than that as a country, both for humane reasons and for reasons of developing and exploiting properly our resources in terms of the employment in this country.

Now, if we were not in a situation where we see substantial evidences of recovery, and if we were not in a situation where the administration had not proposed very comprehensive programs which have their impact upon employment, some of which have been enacted and some of which are still in the Congress, if it were not for those two factors, I would appear here before you in hearty support of the enactment of this bill at this present time.

Senator CLARK. Would you state those two factors again, please, Mr. Secretary?

Secretary GOLDBERG. The two factors are that recovery is underway and we cannot at the moment properly evaluate how extensive it will be in terms of the impact upon employment, and the second factor is that we have proposed a wide range of measures, some of which have been enacted, some of which still are being considered by the Congress, which we believe will have a further impact upon the employment situation, and also we have taken a series of executive actions which we believe will also have an impact upon employment.

I would like to talk about those briefly and then see where they add up in terms of the problem ahead. The administration has proposed and the Congress has enacted the area redevelopment program and this program is now getting underway. We have not had a chance to evaluate the impact of that program upon employment, but obviously, it will have a beneficial effect upon the employment situation.

Administratively and by executive action Federal procurement and construction have been stepped up appreciably. The aid to dependent children of the unemployed has been authorized and is currently going into effect. The Temporary Unemployment Act, of course, has very substantially been in effect already. It has been passed by the Con-

gress and the effects of that statute are already noticeable in terms of aiding people in the transition from unemployment.

The minimum wage law, which will have a substantial impact upon the purchasing power of the country and a beneficial effect upon our economy, has been enacted, but is not yet in operation, since there is a 4-month lag between date of enactment and the effective date of the statute.

In addition to that, the highway program has been accelerated and proposals have been made to the Congress with reference to the further acceleration of the highway program. Of course, we must also realistically recognize that the administration, because of the requirements of our national security, has also had to make additional proposals to the Congress than originally contemplated in the budget proposals initially advanced, and the President covered this in his recent message to the Congress where he pointed out the necessity, if Congress concurred, in stepping up our space program and in stepping up essential programs in the area of our defense requirements.

There are other proposals pending in the Congress which can have a decided impact upon employment and upon our economy if the Congress sees fit to enact them. Among these are the administration's investment tax credit legislative proposal. It is the feeling of the administration—I testified in support of it to the House Ways and Means Committee—that if this program were enacted this program would have a substantial effect upon employment opportunities by increasing the incentive for business to invest in new plant and equipment in the country.

There are plans that have been submitted to increase the lending capacity of the Small Business Administration to reduce the cost of home-buyer's mortgage, with the further lowering of interest rates for general credit ease in order to stimulate our economy.

In addition to that, Congress currently has before it the housing and school bills, both of which, in the administration's opinion, will have a beneficial effect on employment and on alleviating the effects of unemployment.

It is because of the fact that this wide range of measures has been proposed, and some enacted, and because of the fact that Congress has under consideration these other measures which we have talked about, some of which I testified before this committee about within the last few days, that the administration does not believe that now is the appropriate time to initiate broad-scale federally financed public works programs in addition to those currently authorized or to place further strains on the Federal budget which such expenditures would entail.

However, and there is an important however in this, we share with you the concern about the economy and believe that we must keep it under constant scrutiny and review, and we believe that the approach that you are taking is an obviously appropriate one to be considered in light of where the economy may go in the period that lies ahead.

Mr. Chairman, you may want to consider, therefore, in light of the position which the administration feels impelled to take at the present time about the appropriateness of enacting for immediate operation S. 986, whether it would be desirable or appropriate to enact a statute such as this on a standby basis whereby the President would be authorized to put the programs in effect when he finds economic conditions to be such as to warrant such action.

If the recovery which is underway should not proceed in such a way as to substantially make inroads upon the unemployment situation, if it appears that a downward turn is again to be forthcoming, if it develops that unemployment should not be cut down but should again begin to soar, then I can assure you that the administration will take immediate action to do something about it.

At such a time a measure such as S. 986 would be one of the measures which would be of the greatest promise and of the greatest significance. I thought, Mr. Chairman, since like yourself, and your colleague, I have so often and so repeatedly pointed up the employment and unemployment situation, and because with both of you I share the concern about the problem, that I owed it to you personally to come here and state the administration's viewpoint. It is not a responsibility that I would want to shirk because I believe that we both share, the Congress and the administration, the problem of facing up to the employment and unemployment situation in light of the total problems the administration has ahead.

Senator CLARK. Thank you, Mr. Secretary.

Senator Randolph.

Senator RANDOLPH. Mr. Chairman. Again, we have been helped by the testimony of the Secretary of Labor, and I am sure the chairman, who has overriding concern in this subject matter, appreciates the testimony that you have given. I know I share with him and others of the subcommittee the desire to move not only promptly, but move realistically.

I wonder if you would comment, Mr. Secretary, on the possible enactment of legislation which would give us this program of desirable public works on a standby basis at the national level, but would allow for immediate application in those areas of heavy unemployment in this country. Is that feasible?

Secretary GOLDBERG. I think, Senator Randolph, you have pointed up what is a real problem in this area and that is this. Of course, you know it so well from your own State, we have in the country pockets of unemployment which have persisted for a great period of time and those pockets have not been responsive in equal measure to the rise from the recession points of particular periods, and in the area redevelopment bill this particular problem has been recognized, so that we are trying to make help available to communities which find themselves in this situation. It is feasible, if the consent of the Congress could be obtained to this approach, to develop legislation which would operate both broadly in terms of the national need and in terms of the national unemployment figures, and also operate specifically in terms of the need of particular areas, in terms of the needs and problems of those areas.

It would seem to me, as I have indicated in my testimony, that if the measures that we now have on the statute books and those that have been proposed do not meet the needs of the country and areas in the country, we will certainly have to proceed in the area, such as this bill contemplates, of developing a program which will help out in that situation.

Senator RANDOLPH. Mr. Chairman, the response of the Secretary is encouraging to me in that he recognizes the immediacy of the problem in certain areas of our country as against the national level, and I can

well conceive that this subcommittee might wish to recommend something in line with what I have suggested here, a standby nationally with the application to local areas of heavy unemployment in prompt manner.

That is all.

Senator CLARK. Mr. Secretary, I want to thank you for your refreshingly candid presentation, which, of course, we would have expected of you. I have a number of questions to ask you. Needless to say, I was disappointed, and I suspect that you, too, were disappointed, that the administration is not prepared immediately to endorse S. 986.

I am interested in your suggestion about a standby bill, but I would like, in order that we may have an ample record to discuss with our colleagues, to ask you a few questions, and I am sure that you will understand that these are not intended in any way as antagonistic questions.

As you know, we have taken quite a lot of testimony with respect to this bill and the only witness, in addition to the administration witnesses, who has opposed it has been the representative of the U.S. Chamber of Commerce. Among the witnesses who strongly endorsed the bill were seven eminent economists, including Professor Samuelson, who headed President Kennedy's task force on economic problems several months ago. They were of the view, and I wonder if you would concur with their view, that so far as anyone can tell unemployment is very likely indeed to remain at 6 percent of the labor force as late as January of next year.

Secretary GOLDBERG. This is a distinct possibility.

Senator CLARK. You would not say it was a probability? They did.

Secretary GOLDBERG. It might even be a probability. The only reservation I have in this area is this: that, as I say, in this statement, economic forecasting, as we all know, is a very difficult art. The economy does indicate some signs of a more vigorous recovery than some economists anticipated as recently as 60 days ago.

Senator CLARK. I can assure you, we did not choose these seven feeling they were going to endorse the bill. They represented varied points of view, they came from all over the country, and they were surprisingly unanimous in supporting what I think I have heard you say, that there is pretty close to a probability that we will have very heavy unemployment after the first of the year and continuing for the rest of 1962.

Secretary GOLDBERG. That is, as I have said, distinctly possible and maybe even distinctly probable.

Senator CLARK. You would agree, would you not, with Dr. Heller, that any rate of unemployment in excess of 4 percent of the labor force is unacceptable.

Secretary GOLDBERG. I think 4 percent is too high.

Senator CLARK. So do I. We triggered this bill out at 4 percent not because we considered that a satisfactory figure, but because it takes a little while for the program to run out. Hopefully, unemployment would get down to a more satisfactory figure, to the level of fractional unemployment which might be, say, around 3 percent.

Secretary GOLDBERG. I have always felt with you that 3 percent was more of a figure that more nearly approximated the employment level that we would regard as reasonably full employment.

Senator CLARK. If the prognosis is as I have indicated and as you have generally agreed, we are not moving fast enough attacking this critical problem, are we?

Secretary GOLDBERG. I have also said that on many occasions. However, I would say this. We started from an area where we had virtually no programs last January and we have proceeded, as I have indicated in my testimony, with a pretty broad range of programs, and while my own views, as you have indicated, have been well known in this area, I also, as a responsible member of the administration, have had to recognize that a program has to be a balanced program, and it was in that area that I have appeared in support of the administration's position.

Senator CLARK. Let me discuss with you the various measures which you mentioned a little while ago which would have some impact on the unemployment situation, and I would first like to look at those programs which you yourself on behalf of the Department of Labor have recommended to Congress. Let us begin with the youth bill which we discussed this morning.

In that legislation, you advocated three pilot programs for on-the-job training for public service, and for a youth conservation corps. If such legislation were enacted by the Congress and signed by the President, it could have no significant, immediate effect on present or prospective unemployment for the next 12 months, could it?

Secretary GOLDBERG. Not very much. It would be helpful. As I indicated this morning, about 56,000 young men and women would be involved, and that, of course, would help the 56,000, since allowances would be paid for their training and for their further education. 56,000 in terms of 4,800,000, as you correctly point out, is not an overly significant number.

Senator CLARK. Plus another million and a half of underemployed.

Secretary GOLDBERG. That is correct.

Senator CLARK. Let us go back to the other training bill which you advocated before this subcommittee last week.

As I recollect it, your best hope would be under the three titles of that bill to train for useful employment 165,000 in the first year?

Secretary GOLDBERG. That is correct, sir.

Senator CLARK. While you are saying that each of those individuals would be probably employed upon retraining, you cannot be sure, can you?

Secretary GOLDBERG. No one can guarantee that, but we think from our analysis of the labor force that if we upgraded the skills of these people, they have reasonably good prospects of employment.

Senator CLARK. But you would be optimistic, indeed, if you thought 165,000 would obtain useful and gainful employment within the next 12 months if this bill were passed by Congress?

Secretary GOLDBERG. Nobody could give that type of assurance. All you can say is that the analysis of the problem indicates that we have needs for a large number of skilled people even today in the midst of substantial unemployment, and that if we had better trained people they could fill those spots.

Senator CLARK. And it will take some time.

Secretary GOLDBERG. Oh, yes. Any program requires time to be put into operation.

Senator CLARK. So it is highly unlikely that very many of these 165,000 trained would as a result of the training be gainfully employed before this time next year, is it not?

Secretary GOLDBERG. That I cannot say because the training period will vary with particular individuals. As I pointed out last week, sometimes a relatively short period of on-the-job training will qualify a man for another skill and another job, but, in any event, there, too, the same answer still holds. If we took 160,000 and added 58,000, we would have 200-and-some thousand and if we have 200,000, then even if we put them all gainfully to work, 200,000 does not add up to 4,800,000; that is correct.

Senator CLARK. I would like to indicate in my opinion that we would be fortunate indeed if half that 165,000 went back to work before the end of the year.

Secretary GOLDBERG. It will take some time because the bill itself contemplates that there will be training periods over a period of time.

Senator CLARK. And you are going to have to do quite a lot of research to determine where these jobs are?

Secretary GOLDBERG. Oh, yes; that is correct.

Senator CLARK. So I would suggest to you, and I think from your answers you tend to agree with me, that neither of these bills will have an immediate significant impact on the unemployment situation as we anticipate it will exist for the balance of this year and the early part of next year.

Secretary GOLDBERG. They will not have the broad, overall impact that the figures themselves indicate that you have given us. I agree with that.

Senator CLARK. The bill providing aid for dependent children will have no direct impact on employment, will it?

Secretary GOLDBERG. Except that it provides help where it is needed and that stimulates the economy by providing additional money in the hands of people who spend it most needfully.

Senator CLARK. But the bill would not directly put anybody back to work.

Secretary GOLDBERG. No, there is no direct employment effect in that bill, except it will have indirect employment effects.

Senator CLARK. I would suggest to you, and you may disagree with me, if you will, that the indirect effect of the aid to dependent children bill will be relatively minor, since the amount of allowance is so small and since the Federal money, to some extent, simply displaces State and local general assistance payments.

Secretary GOLDBERG. I might say for the administration, that we made what we thought was a moderate recommendation to the Congress, and we would not have objected to increasing that if Congress had been willing to increase it.

Senator CLARK. However, in any event, it can have no direct effect. It is arguable how much indirect effect.

Secretary GOLDBERG. It helps humans in times of trouble. Any expenditures of that type are bound to have an effect upon the economy because, as I pointed out when I testified on that bill, we are dealing with high velocity dollars. Every penny of the \$200 million which was appropriated will go into the purchasing power of the country.

Senator CLARK. The Emergency Unemployment Compensation Act is in about the same category as aid to dependent children.

Secretary GOLDBERG. Except it is on a bigger scale. It will add to the purchasing power of the economy approximately a billion dollars in its year operation.

Senator CLARK. But it will not directly put anybody back to work.

Secretary GOLDBERG. No; its effect will be indirect.

Senator CLARK. And with respect to the Minimum Wage Act, I would agree with you its effect would be the same, no direct effect on employment, but perhaps a substantial indirect effect. A number of my colleagues think it will hurt employment, and who knows whether they are right or not.

Secretary GOLDBERG. Except our pretty reliable figures based upon past experience indicates, and apparently Congress must have felt that way because they passed the bill, that the overall effects will help employment by adding to the purchasing power of the country.

Senator CLARK. Yes, but if we talk just about measures which will literally and directly put people back to work, that bill will not do it, will it?

Secretary GOLDBERG. It is not a direct employment bill. It was not enacted as an employment bill, that is correct.

Senator CLARK. Let us move to the school bill.

It is true, of course, that to the extent that Federal aid to education is utilized for school construction, which would not otherwise take place, it will have a direct effect on employment.

In my State, however, our superintendent of instruction has said that if this bill as passed, it will use 80 percent of the money available for increasing teachers' salaries. There again, to the extent that the funds are used for that purpose, there is no direct effect on employment.

Secretary GOLDBERG. In the school construction bill, I think the employment consequences will be very direct and very appreciable.

Senator CLARK. If it is not applied to school construction?

Secretary GOLDBERG. Even if it is not, for this reason. While I do not quarrel with the testimony that your superintendent gave, if help is available for salaries, this, in effect, eases the strain on the budget of the local school authorities and makes more money available for school construction, so the total effect, it seems to me, will be very appreciable in this area and this bill—and I hope it will be enacted—will have a very appreciable effect on employment.

Senator CLARK. Would you have any idea of how much?

Secretary GOLDBERG. I cannot say specifically, but I regard that bill to be a specialized S. 986 in a sense. It is a type of public facility, a type of public facility, which is very desirable and very needed and which has a very beneficial employment effect.

Senator CLARK. I would respectfully disagree with you, while I understand your reasons.

Senator PROUTY. Mr. Chairman, I was just trying to find out which bill we are discussing.

Senator CLARK. S. 986, and that is the only purpose of the hearing this afternoon. This is the public works bill, the Emergency Employment Acceleration Act.

Senator PROUTY. Is this an administration bill, or is it not?

Senator CLARK. Could I answer that? The Secretary has testified that the administration does not endorse the bill as presently drafted

and thinks that other activities which the administration has initiated, either through executive action or through legislation, are adequate in response to the unemployment situation, but has suggested that perhaps the Congress would want to enact this legislation on a standby basis.

I am now questioning him on his testimony which was not included in his written presentation.

Senator PROUTY. On page 5, the Secretary's statement reads as follows:

The administration therefore does not believe that now is the appropriate time to initiate broad-scale federally financed public works programs * * *.

If the Secretary is not supporting it, that is all. I just wanted to know that. I do not want to question the Secretary.

You will excuse me?

Senator CLARK. Yes, indeed. Now, Mr. Secretary, coming to the highway program, do you have any estimate as to how many additional people over and above what have already been taken into consideration in the employment forecasts would be employed if the highway bill were passed as the administration recommends it?

Secretary GOLDBERG. I do not have those figures at hand, Senator, but I can supply the committee with what I know my colleague, Governor Hodges, will have available in this area.

Senator CLARK. I wish you would. My view is that there will not be much additional employment coming out of a continuation of the highway program at about the rate it has been going forward, and not much hope that the legislation will result in a substantially accelerated program.

Secretary GOLDBERG. I shall, and I shall file a notice with you on this.

Senator CLARK. Thank you.

When we come to interest rates it is my view that if we can bring interest rates down that will be a very real spur to the economy and should result in additional business activity which would engender employment, but we must appreciate, must we not, that there is at present a conflict between the Federal Reserve Board and the administration as to the desirability of keeping interest rates down, and a couple of our great metropolitan newspapers have indicated recently that they think the Federal Reserve Board is winning that battle and that interest rates are about to go up again. If they do, we can hardly include low interest rates as a factor in generating further employment. Do you agree with that?

Secretary GOLDBERG. I have read with great interest, without being a great expert on this subject, these articles to which you refer. I would certainly say with you that the lowering of interest rates is desirable to expand business activity, and this has been the President's point of view in the message that he recently gave to the Congress.

What will eventuate in this situation, I cannot say.

Senator CLARK. So that one would have to agree that the effect of low interest rates on improving the unemployment situation must at best be speculative until we know whether they are going to stay down or not.

Secretary GOLDBERG. Except insofar as direct reductions have been effected so far in the mortgage situation that we know has helped somewhat, but I would agree that we cannot know until we know what the permanent course of interest rates would be.

Senator CLARK. Any additional authorization to the Small Business Administration must have a relatively minimum effect.

Secretary GOLDBERG. I do not know whether it would be relatively minimum. I feel strongly that this is very desirable and I am sure you do. We ought to build up the lending capacity of the Small Business Administration.

Senator CLARK. I do, indeed, but the amounts involved are so small that the effect on the overall employment picture must necessarily be minimum.

Secretary GOLDBERG. They are not of a scale that will have a wide, sweeping effect. I would agree with that.

Senator CLARK. When we come to the tax credit, I would like your comment on this observation.

In the first place, it is highly dubious whether Congress will enact it this year. In the second place, if it does, it is highly dubious how much additional employment it will generate.

Secretary GOLDBERG. Here I am in disagreement, Senator. I cannot be in disagreement with you as to whether Congress will enact or not enact this legislation.

Senator CLARK. This year?

Secretary GOLDBERG. Yes. However, that depends upon Congress, not upon me or upon the administration. However, I would say this: We have the possibility in this area if this measure, which I think is a good measure—I have studied it pretty carefully and analyzed it—were enacted of having a substantial number of jobs involved, and now we are talking about jobs in the hundreds of thousands. We are not talking about jobs in the 50,000 range.

This bill, I am aware, had not been greeted with great enthusiasm by the business community and it has not been greeted by great enthusiasm by the labor community.

Senator CLARK. Which bill?

Secretary GOLDBERG. This tax bill. I am aware that it has not. That does not necessarily mean it is not a good bill, however.

Senator CLARK. No, I agree with you. It has not generated any popular enthusiasm.

Secretary GOLDBERG. That is correct, but it is intrinsically, upon study I have thought, a very well conceived bill. It is a bill designed to provide an incentive to modernize our plant and equipment.

The business community would like a bill which would liberalize depreciation allowances generally. Well, this, in effect, would be a bill that would give a corporate-tax reduction overall across the board. The administration and the Treasury have said that they will be ready with their general proposals on taxation next year. They have not excluded the possibility of a comprehensive review of our tax structure and appropriate adjustments in our tax structure. The virtue of this bill is that it points up what is a fact, which is part of our employment problem, that a great deal of our plant and equipment in this country is not sufficiently modern and is obsolete or rapidly becoming so. This bill is designed to give a particular incen-

tive to those businesses that will modernize their plant and produce fully modernized plants and equipment.

Now, I think if that were put to the test, in that process of modernization, we, first of all, would have several hundred thousand jobs involved, and, secondly, we would have a more competitive business situation in the country and strengthen our economy and strengthen employment. That is why I have supported the bill, even though some people in the labor movement have not supported it.

Senator CLARK. Let us agree—and I think we can—that if the bill were passed—and I again suggest that there is at least a fair, if not a good, possibility that it will not be—it would put several hundred thousand people back to work eventually.

Secretary GOLDBERG. That would do it pretty rapidly.

Senator CLARK. It would as soon as the orders were placed for the new plant and equipment.

Secretary GOLDBERG. Yes; but that can proceed pretty quickly, because we have the possibility in our country to modernize plants and equipment pretty readily.

Senator CLARK. So if we passed a bill in July, which is a very optimistic view—it certainly will not be passed in June—would it be your view that by January several hundred thousand people would be put back to work?

Secretary GOLDBERG. I do not say that several hundred thousand people would be put back to work by January, but there would be an appreciable effect on employment.

Senator PELL. I am wondering, thinking that out further, that, initially, would not help on this, because in order to take advantage of the tax provisions a company would have to put the contracts into being prior to December 31 of this year; in other words, to take advantage of it this year, if the bill is enacted, because the tax year is the calendar year.

Secretary GOLDBERG. Correct.

Senator CLARK. Mr. Secretary, turning to the area redevelopment bill, those of us who for years have supported it have never considered it an antirecession measure.

Secretary GOLDBERG. It is a permanent measure, I agree.

Senator CLARK. It is a permanent measure and is intended to deal with structural rather than cyclical unemployment. We hope it will make a considerable contribution.

Secretary GOLDBERG. I believe it will.

Senator CLARK. But I would not anticipate, would you, that it would make very serious inroads on unemployment prior to the middle of next winter?

Secretary GOLDBERG. There, too, it depends on how quickly the administrator can get it into operation, and he is proceeding very rapidly, I must say.

Senator CLARK. I think it depends on more than that, does it not? It depends on his ability to induce new industry to move into these areas, and this is sometimes a slow job.

Secretary GOLDBERG. Yes. One of the advantages that we have in this area is that a lot of communities and groups are ready with their plans and are well prepared. Pennsylvania is one which has anticipated this legislation. I do not know exactly the date, but I look for that bill to have a very beneficial effect.

Senator CLARK. Would you have any estimate as to how many people you would think it could, optimistically, put back to work by the end of next January?

Secretary GOLDBERG. That would be hard to estimate.

Senator CLARK. 100,000 would be pretty optimistic, would it not?

Secretary GOLDBERG. Yes, that would be a goodly number.

Senator CLARK. Turning to the space program, I think I realize the need for it, but actually, that space program is not going to have any very significant effect on employment, is it?

Secretary GOLDBERG. It will have an effect. Any time you step up the rate of Federal expenditures by \$600 million, or an amount of that character, it will.

Senator CLARK. I understand, but so much of that goes into scientific research. So much of it goes into hardware. The actual mass labor factor is considerably smaller than a construction program, is it not?

Secretary GOLDBERG. That is correct, except in all of the space matters there is considerable construction.

Senator CLARK. I understand, but one would be optimistic indeed, would one not, if he expected the space program in and of itself to create much employment before next January?

Secretary GOLDBERG. No one item will, but when you start adding these up, you start making an impact on unemployment. I think you will agree with me on that.

Senator CLARK. I would agree with you that the housing program and general defense spending will have an appreciable impact, but I would suggest that compared to this bill, which the administration does not presently endorse, thinking only in terms of relief for unemployment, these other measures not as well adjusted to the need as is S. 986. If you really want to put people back to work in a hurry, this is a way to do it.

Secretary GOLDBERG. Of course, I would say with reference to that that in terms of specific effects upon employment, when you get into a discussion of what does it best, then, of course, you get into a lot of varying points of view.

As you know, Senator, and as I know, many economists urge that a better way to do it than S. 986, would be to have a tax cut and that this would be a more immediate way of stimulating employment than a public works program.

Senator CLARK. We are not confronted with that now, are we, because the administration has not proposed a cut?

Secretary GOLDBERG. That is correct, but the problem here, too, like in the tax credit—that is why I mentioned the tax cut—a question of priorities. I go back, in other words, in answer to your question, to the same answer I made at the beginning.

Senator CLARK. You will be followed by a representative of the Community Facilities Administration who we have asked to tell us what he thinks the employment impact of this bill would be. I do not want to anticipate his testimony other than to say that we have a figure that the first half-billion dollars would in all likelihood create 110,000 direct jobs and 275,000 indirect jobs for a total of 385,000 jobs, which, if you double it for the second half-billion dollars, gives you a figure of 770,000 new jobs, and I ask you, Mr. Secretary, where are you going to get that many people back to work through any other piece of legislation?

Secretary GOLDBERG. I would answer that by saying this. We have to look at the total impact of all programs on the economy. Let me give a figure which I think illustrates what we are saying, and if it is wrong, then we will be right back with you, as this bill says.

Senator CLARK. The thing that bothers me is that you may find out you are wrong after Congress has adjourned.

Secretary GOLDBERG. Congress shows no disposition of adjourning for the time being, but let me point this out, which I think is very realistic.

We have to watch the gross national product as the important factor bearing on the problem we are discussing.

Senator CLARK. I wonder if we do.

Secretary GOLDBERG. Let me talk about it in job terms, in relation to what you have just said, why I think the administration and the President have come to this view.

We have to look at it before coming all out and saying we endorse the bill. There is another relevant statistic. Every \$10 billion of the gross national product is a million and a quarter jobs, direct jobs. This has statistically been demonstrated.

If that is so, and the economists have underestimated the recovery, we are dealing with a substantial number of jobs in the totality of the measures and actions, plus natural forces, that have made the gross national product increase, so this is one of the considerations that has led the President to the view that he has that I have advanced here today.

If all of these programs are combined together, plus our economy, if we spurt forward, then when we deal with these great figures that we are talking about, we are dealing with jobs. That is another way to deal with jobs, too.

Senator CLARK. Of course, I do not want to argue with you, but what I do not understand is why the administration is not prepared to support this bill, knowing full well that if recovery comes, as we all hope, the bill will be cut off when employment falls below 4 percent.

It seemed to me this was in the very least an insurance policy. Would you comment on that?

Secretary GOLDBERG. Yes. I can only say with respect to that that the administration has the overall responsibility of presenting a total program to the Congress, and has come to the conclusion that it presented to the Congress the total program that it could responsibly endorse.

Senator CLARK. Mr. Secretary, if we were to pass a standby bill which left the matter to the President's discretion, would you feel that the figures of 6 percent and 4 percent were still appropriate?

In other words, the discretion would begin when unemployment rose above 6 percent and end when the rate fell below 4 percent.

Secretary GOLDBERG. I think that that would be a very conservative approach to the problem.

Senator CLARK. The suggestion has been made that a discretionary bill of this sort would place the President under great pressure from labor, from mayors, and Governors, and other officials. The question is whether it is not better to protect him from that by establishing an objective formula. Having been an executive myself, I am not concerned with that pressure.

Secretary GOLDBERG. I think it is better to arm him with discretion. I am sure he would stand up to his responsibilities.

Senator CLARK. Thank you very much, sir, for your very helpful testimony. This discussion has certainly been valuable to me.

Senator Pell?

Senator PELL. In connection with the reduction of unemployment now, I was wondering if you felt that this reduction is comparatively, in accounting for seasonal adjustments, less or more than it was in June of 1960. In other words, it is a drop of unemployment going up more than it was a year ago?

Secretary GOLDBERG. Of course, a year ago, the recession had started in May. It was quite apparent that there was a substantial climb in the amount of unemployment. It started in May and then it started to rise from May on and continued to rise straight through till recently. What is becoming to be apparent, is that we are dropping total numbers. We are not dropping the seasonally adjusted rate because we are not in the summertime, construction steps up, and we have the benefit of that.

However, the reason I am a little more optimistic now about the employment situation than I was a few months ago is that we have other indexes. Insured unemployment, which represents three-fifths of total unemployment, is dropping now. The hours are lengthening. We are getting closer to a 40-hour week, so underemployment is being cut back. This is the first thing that happens. So, we have these favorable signs. However, as Senator Clark correctly pointed out, there is no question we have a continuous problem of hard-core unemployment. What will happen to us is that if the rate of recovery continues, as we hope it will, the cyclical part of unemployment will be cut out of this hard core and we will then really know how much of this unemployment is really structural in character, due to automation, technology, and so on, and that problem we have not solved. I have said so several times before this committee.

I have not changed any view about it. We are trying through the training bill and other bills to readjust to that, by trying to shift some people from the hard-core unemployment and structural unemployed to areas where they can get employment.

Mr. PELL. Thank you.

Senator CLARK. Just one further question, Mr. Secretary, in fairness to you. Does the administration object to the enactment of the bill on a standby basis?

Secretary GOLDBERG. The administration feels this way about it. It cannot, at this moment, recommend to the Congress the enactment of the bill on a standby basis, but if Congress is disposed in this area where the administration has a great deal of general sympathy with the objectives of the bill, which I have tried to manifest as best I could, and if the Congress feels that it is appropriate to act in this area, the administration would hope that it would do it on a standby basis.

Senator CLARK. Thank you very much. We appreciate your coming down.

Secretary GOLDBERG. Thank you.

Senator CLARK. Our next witness is Mr. Pere F. Seward, Deputy Commissioner of the Community Facilities Administration.

Mr. Seward, we are happy to have you with us. Will you please proceed in your own way, sir?

STATEMENT OF PERE F. SEWARD, DEPUTY COMMISSIONER, COMMUNITY FACILITIES ADMINISTRATION, HOUSING AND HOME FINANCE AGENCY

Mr. SEWARD. I have a short statement that I would like to present, Mr. Chairman and members of the subcommittee.

I consider it a privilege to appear before the subcommittee to assist in your consideration of S. 986, a bill to assist in the reduction of unemployment through acceleration of capital expenditure programs of State and local public bodies. Secretary Goldberg has just presented the basic policy views on the proposed bill. I would like to confine my remarks to several aspects of the bill.

Pursuant to section 801 of the Housing Act of 1959, the Housing Administrator is authorized to spend out of the public works planning revolving fund up to \$50,000 per year to finance surveys of State and local public works plans.

The first such survey, conducted by the Bureau of the Census on a contract basis, was completed at the end of 1960. This survey was designed to obtain an inventory of public works in the planning stage.

The 1960 survey found that State and local governments had scheduled completion of planning between July 1960 and December 1961 of public works projects having an estimated construction cost of \$21.7 billion, of which \$9.1 billion was for State governments and \$12.6 billion for local governments. This \$21.7 billion represented 88,174 projects, of which 58,059 had an estimated cost per project of under \$100,000; 25,283 had an estimated cost of \$100,000 to \$1 million; and 4,832 had an estimated cost of \$1 million or more per project.

The survey found that another 18,883 projects with an estimated cost of \$8.5 billion were included in a master plan, a capital budget or their equivalent for which all planning actions would be completed by December 1961 if authority and funds were available. For the record, I am submitting two tables summarizing the findings of the 1960 survey.

Included in this survey, are the plans financed under the public works planning program, administered by the Housing Agency's Community Facilities Administration, sometimes referred to as the section 702 program.

At the end of April 1961 under this program, which by the way, is the third such Federal program, there were 1,738 approved planning advances for projects having an aggregate cost of \$1.9 billion completed as of April 30.

Recently, at the request of the Housing Subcommittee of the House Banking and Currency Committee, the American Municipal Association conducted a nationwide survey on municipal financing and construction of needed community facilities. Replies were received from over 1,200 municipalities or about 7 percent of the local governments in the country.

This survey revealed that some 643 cities expect to borrow during the next 2 years a total of \$531 million to finance needed community facilities of the types authorized in S. 963. Allowing that the survey was limited to cities with populations under 100,000 persons; that it did not cover States or State instrumentalities; and that only 7 per-

cent of the local governments were covered, it seems reasonable to conclude that State and local governments plan to borrow over \$10 billion during the next 2 years for community facilities. Perhaps another \$10 billion of public works can be expected to be financed out of current funds or by grants from other levels of government.

Thus, these two surveys evidence that there exists a large volume of public works projects, for which planning is completed or underway and construction is contemplated during the next few years. How rapidly these works can be placed under construction depends upon a number of technical factors.

From an engineering viewpoint, before bids for construction contracts can be solicited, the necessary engineering or architectural surveys, designs, plans, working drawings, specifications and contract documents must be in such shape that prospective contractors can submit realistic bids.

It has been our experience under the public works planning program that this construction planning is completed within 9 months after a planning project has been approved. However, as indicated previously, the construction planning of a large part of the current reserve of State and local public works has already been completed, irrespective of whether it was financed by Federal funds or other funds.

From a legal viewpoint, many municipalities and also some State governments must, before they can start construction of a public work, obtain voters' approval through a bond election. If general obligation borrowing is to be employed, they must have a sufficient margin within their constitutional or statutory debt limits.

From a finance viewpoint, decisions have to be made whether to finance the public work from existing cash balances available for such purposes, from the current budget or by borrowing. Such decisions depend upon the order of priorities of competing expenditures upon the State or local budget, if the project is to be financed out of current funds. If borrowing is to be employed, consideration has to be given to the intended means of repayment, the burdens of additional indebtedness upon the borrower's tax and revenue base, and the means of issuing the necessary bonds in terms of bond documents and prospectus, and the level of interest rates in the municipal bond market.

All of these technical matters take time to complete. For a number of projects many of these conditions precedent to construction have been completed or are underway. Other projects still have a long way to go. Thus, aside from the status of construction plans, we do not have adequate data to permit an estimate of projects that are in a completely "ready to go" status.

Historically, it has been difficult to effect a speedy expansion of public works activity. However, the evidence available as developed by the American Municipal Association sample survey and the sample surveys by the National Association of County Officials and by Senator Hart indicate that there are now a surprisingly large number of public works projects that are fully ready to go into construction.

As a general rule of thumb, we can estimate the direct volume of employment created by public works projects on the basis of 1 man-year per \$10,000 of expenditure, including provision of material and equipment. On this basis, a \$1 million project would create additional employment for about 100 persons. These 100 persons would in turn probably generate an employment multiplier effect of around 250, or a ratio of $2\frac{1}{2}$ to 1.

Ordinarily, a public building such as a school or a college dormitory costing \$1 million will take about 11 months to construct and a \$1 million water or sewer facility will take about 8 months to complete. A \$100,000 street repair job will generally take about 3 to 4 months. The amount of man-years of employment that might be generated by S. 986 would thus depend upon the ratio of the Federal grant to the total project cost, the type of facility to be constructed, and its total cost and the construction period.

As noted by your chairman, the Federal aid program proposed by S. 986 is patterned upon the grant arrangements employed during the 1930's by the Public Works Administration, which the chairman described as one of the most successful and respected of the New Deal agencies.

Incidentally, may I mention in passing that I am proud to have been a member of that organization from its very beginning and its various successor agencies. Over the years, we have administered a number of Federal assistance programs for State and local public works, notably PWA during the 1930's, Lanham Act projects during World War II, Defense Community Facilities under Public Law 139 during the Korean war, and currently the public facility loans program, the public works planning program, the college housing program, the elderly housing loan program, and supervision on behalf of the Office of Education, Department of Health, Education, and Welfare, of school construction under the Public Law 815 program.

In administering these programs, the Community Facilities Administration has encountered many problems, which we have always approached with the protection of the Government's financial interests in mind. This last point is particularly important when there are large sums of Federal funds involved.

As the chairman and committee members know, the Community Facilities Administration is largely a service organization concerned with assisting the planning, construction, and financing of State and local public works.

Mr. Chairman, this concludes my prepared statement, and I will try to answer any questions the committee may have concerning any of the present community facility programs or any of the related technical aspects of the bill.

Thank you very much, gentlemen.

(Mr. Seward's tables attached to statement follow :)

TABLE 1.—U.S. summary of construction plans of State and local governments covering the 18-month period July 1960 through December 1961

[By plan status and cost-size of project]

Item	Type A projects scheduled for completion of ¹ planning—				Type B projects ²
	July through December 1960	January through June 1961	July through December 1961	18-month total	
Number of projects costing:					
Under \$100,000 per project.....	22,707	18,982	16,370	58,059	9,019
\$100,000 to \$999,999 per project.....	9,650	8,971	6,662	25,283	8,239
\$1,000,000 or more per project.....	1,482	1,663	1,687	4,832	1,575
Total.....	33,839	29,616	24,719	88,174	18,833
Estimated construction cost: (In millions) of projects costing:					
Under \$100,000 per project.....	\$636	\$638	\$448	\$1,722	\$359
\$100,000 to \$999,999 per project.....	2,985	2,565	2,215	7,765	3,255
\$1,000,000 or more per project.....	3,892	4,141	4,170	12,203	4,919
Total.....	7,514	7,344	6,833	21,691	8,533

¹ Type A projects are defined as projects for which all planning actions necessary in advance of starting work or advertising for bids are scheduled to be completed during the periods shown (excluding any projects already underway or advertised for bids as of June 30, 1960).

² Type B projects are defined as additional projects not recorded as type A, but already included in a master plan, capital budget, or equivalent, for which all planning actions would be completed between July 1960 and December 1961 if authority and funds for their planning and construction were available at the time of the survey.

Source: Mail-canvass survey of public construction plans conducted by Governments Division, Bureau of the Census, between August and November 1960, covering all States and a sample of local governments.

NOTE.—These data are estimates subject to sampling variation.

TABLE 2.—U.S. summary of plans of State and local governments for type A construction projects, by level of government

[Projects on which planning is scheduled for completion between July 1960 and December 1961]

Item	All governments	State governments	Local governments ¹
Estimated construction cost (in millions): ²			
Highway facilities.....	\$8,144	\$6,582	\$1,562
Educational facilities.....	5,437	1,147	4,290
Sewerage facilities.....	1,700	5	1,695
Residential buildings.....	1,521	433	1,088
Water supply systems.....	1,117	20	1,097
Utilities other than sewer and water supply.....	1,151	60	1,091
All other.....	2,622	816	1,806
Total.....	21,691	9,063	12,628
Distribution of estimated total cost by time when planning actions will be completed:			
July-December 1960.....	7,514	2,929	4,585
January-June 1961.....	7,344	3,202	4,142
July-December 1961.....	6,833	2,933	3,900
Distribution of estimated total cost by prospective method of financing:			
Public borrowing.....	11,465	2,147	9,319
State-local grants.....	932	-----	932
State-local loans.....	22	-----	22
Federal Government grants.....	3,493	3,073	420
Federal Government loans.....	359	221	138
Other (own-government revenues and balances).....	5,419	3,623	1,796

¹ Estimates subject to sampling variation.

² The category "residential buildings" includes not only public residential housing but also group quarters, such as nurses homes and student dormitories. In this summary table, the residual heading "All other" includes detail obtained separately for natural resource projects, general administration buildings, and a miscellaneous class, "Other public facilities."

Source: See table A.

Senator CLARK. Thank you very much, Mr. Seward.

I would like to try to get a little more specifically on the record the number of people who it would be anticipated would be employed if this measure were enacted into law.

I call your attention to the last full paragraph on page 4 of your statement where you say that experience indicates that you create 1 man-year of employment for every \$10,000 of expenditure, including provision of material and equipment. Now, the \$500 million in Federal grants, as called for by this bill, representing 45 percent of the cost of the projects, would in turn generate \$600 million of local expenditure representing 55 percent of the cost, making a total expenditure \$1,100 million.

Mr. SEWARD. Yes, sir.

Senator CLARK. On the basis of your estimate, this would create directly 110,000 jobs?

Mr. SEWARD. That is right, sir.

Senator CLARK. And indirectly applying your 2½-to-1 ratio, an additional 275,000 jobs?

Mr. SEWARD. That is right, sir.

Senator CLARK. So the first half billion dollars of Federal expenditure could reasonably be anticipated to create 385,000 jobs?

Mr. SEWARD. That is correct, sir.

Senator CLARK. And the second \$500 million of Federal expenditure would generate an equal number of jobs?

Mr. SEWARD. That is correct, Senator.

Senator CLARK. So the total employment one could anticipate from the enactment of this bill, if the President used the discretion and committed the second \$500 million, would be 770,000 jobs?

Mr. SEWARD. That is right, sir.

Senator CLARK. Thank you. My final question is, In your judgment, is this bill administratively feasible?

Mr. SEWARD. Yes, sir.

Senator CLARK. Thank you.

Senator Pell?

Senator PELL. I have no questions.

Senator CLARK. Thank you very much, sir. I appreciate your coming down and helping us out.

Mr. SEWARD. Thank you, gentlemen.

Senator CLARK. The subcommittee will stand in recess subject to the call of the Chair.

(Whereupon, at 3:15 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.)

The first part of the book is devoted to a general history of the United States from its discovery by Columbus in 1492 to the present time. The author traces the progress of the colonies from their first settlement to the Declaration of Independence in 1776, and then follows the course of the American Revolution, the formation of the Constitution, and the growth of the Union to the present day. The second part of the book is devoted to a detailed history of the United States from 1776 to the present time. The author follows the course of the American Revolution, the formation of the Constitution, and the growth of the Union to the present day. The third part of the book is devoted to a detailed history of the United States from 1776 to the present time. The author follows the course of the American Revolution, the formation of the Constitution, and the growth of the Union to the present day.

APPENDIX

STATEMENT BY PAUL A. SAMUELSON, PROFESSOR OF ECONOMICS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY, BEFORE COMMITTEE ON WAYS AND MEANS, HOUSE OF REPRESENTATIVES, MAY 12, 1961

PROPOSED INVESTMENT CREDIT

I wish to make clear that I appear as a private citizen and researcher in economics, and that I have no official connections with any business or governmental group. As a long-time student of business cycles and economic growth, I regard the current proposal to introduce an investment tax credit as one of the most interesting innovations that has ever been made: it can contribute much to the goal of increasing the Nation's Capital formation in these days when America's growth rate is being challenged, not only by the Soviet Union and other Iron Curtain nations, but also by Japan, Germany, France, Italy, the Netherlands, and other less-than-most-affluent mixed economies.

The single most astonishing thing about your hearings has been the apparent antipathy of business witnesses against a measure which, at the same time that it is achieving a higher growth rate for the Nation, is so much in their own long-run self-interest. No one would have been surprised if labor and consumer groups had come forward with the complaint that this proposal would enrich business while not doing anything directly for the lower income groups: "If pearls are to be cast before anyone, cast them before us," one might have expected them to say.

And few sophisticated economists would have been surprised if some witnesses had come before you saying: "Definitely do not stimulate more capital formation: already we have excess we have excess capacity in many lines and trying to add more would, if it could by some doubtful miracle succeed, be a wasteful use of social resources and an invitation to cut-throat erosion of profits; moreover, even in lines that do not already have excess capacity, accelerating the pace of capital formation in the short run merely borrows against capital formation in the future and represents destabilizing social policy."

Instead, business witness after witness has trooped before you, in effect saying:

"These pearls aren't pearls. They are merely pebbles."

"Well, yes, they are pearls. But they will prejudice your later casting rubies before us."

"Some will be getting bigger pearls than others."

"Arithmetically the scheme is superior, but some will not understand it."

"We do want pearls and rubies, but we prefer that the subsidy be less transparent."

Since time is brief, I had best stick to my role as economist and state bluntly truths, on which I'd be glad to comment and elaborate if asked.

1. Since President Kennedy and Secretary Dillon have given assurance that the investment credit will not prejudice their current study of the depreciation reforms needed to reflect true money income accurately in these days of rapid obsolescence, I need only say that looking abroad to the most-favorable-nation's subsidy programs for fast depreciation is not the way to arrive objectively at true economic depreciation.

I have talked often to economists in Japan, Sweden, the United Kingdom, and elsewhere: neither they nor their business and governmental officials are under any illusion that, after they have allowed a 15-year asset to be written off by over 40 percent in its first year or over 60 percent in its first 3 years, they are then merely taking account of its realistic experienced obsolescence and depreciation. On the contrary, few businessmen would be so stupid as to sell such assets on the used market at that kind of book value. Such extreme programs

are badly and bluntly subsidies designed to stimulate capital formation and are not a return to an equitable definition of true money income. They are bribes that have to be justified in terms of some national interest. If we imitate them, we must do so with our eyes wide open. And when we use our eyes, we see that many of the arguments comparing in this respect the investment credit unfavorably to faster depreciation have to be ruled out of the court of objective economic analysis.

2. There follows a corollary from the above. Section 1231 permitting capital gains treatment for that part of income which has escaped taxation by virtue of fast depreciation already allowed is a loophole that desperately needs closing as a prelude to any other actions in the field of depreciation. President Eisenhower recommended this in 1960; President Kennedy in 1961; economists of such diverse views as my friend and neighbor, Dr. Smith—and I find no room for debate here.

There has been a great deal of amusement outside of Washington at the remarkable spectacle of witnesses, who wax eloquent about desirable practices abroad where fast depreciation is allowed, and who at the same time suppress mention of the fact that all those same countries refuse capital gains treatment—and indeed must necessarily do so unless an outright give away is intended. Ask your real-estate friends whether they prefer the Canadian system to our present unreformed system; but when they confess they do prefer ours, don't let that decide this open-and-shut economic issue. To let an airline, a leasing service, a real estate syndicate, or an ordinary business firm buy an asset, write off much of its value immediately for tax purposes, and then receive capital gains treatment is to invite unjustifiable enrichment and the pointless swapping of assets. I strongly recommend that the President's package be indeed considered as a package, rather than a grab bag from which to select the goodies and avoid the needed checks and balances.

3. The complexity of the new proposal has, I think, been vastly exaggerated in your hearings. No higher mathematics is involved, only arithmetic. And no one, before you or in any academic discussion, has to my knowledge been able to controvert the arithmetical fact that the man who is eligible for the investment credit is helped more by it than by anything but the most extreme acceleration of depreciation. When you give a man a credit at the time he buys an asset, that is so simple a fact that he can understand it and so can his wife and banker. The complexity involved to insure that there will be no destabilizing bunching up of investment or spinoffs to take advantage of the letter rather than the spirit of the law is precisely what ought to be there to maximize our gain from the reform.

4. Finally, there is the fact of gearing the investment credit to an excess over depreciation. This fact can be analytically separated from the investment credit device, but let me comment on its wisdom.

We must ask: "To get the maximum growth for your revenue loss, should you give to strength or to weakness?" No exact answer is possible, but study of the considerations suggest to me that in all probability we shall achieve more growth by, say, 1970, if we concentrate our shots rather than dispersing them evenly over the plain. It is just like the problem of the Rockefeller or Ford Foundation: if they have 100 million to spend to advance physics, shall they give it to California, Harvard, and (you must excuse the expression) MIT; or should they give a little to all the colleges in Ohio and Iowa? I put the matter crudely on purpose. Most experts would, I believe, argue as follows: Give to strength if you want to maximize the increment to knowledge of physics; give to weakness if you want to bring up everybody to some minimum and be non-discriminating in your pearls.

Which do you want? An expert can only pose the issue not presume to decide it.

[From Congressional Record, Senate, June 1, 1961]

UNEMPLOYMENT

Mr. CLARK. Mr. President, the unemployment figures for May, released yesterday, confirm what many of us had feared: That, despite the recovery that is underway, we are not gaining on the unemployment problem.

Industrial production, the gross national product, and personal income have all been rising for several months. It is generally agreed that the recession

hit bottom in February and that we have been experiencing a rather encouraging rate of recovery since that time. Yet unemployment has remained approximately even. On a seasonally adjusted basis, it stood at 6.8 percent of the labor force in February and 6.9 percent in May.

These figures show that our present rate of recovery has only been sufficient to absorb the normal increase in the labor force. It is not sufficient to cut into the present intolerable rate of almost 7 percent unemployment.

We are running hard just to stay in the same place. If we are to make progress, we must run a good deal harder.

And remember that a 7-percent rate of unemployment as a national average means a much higher rate in Pennsylvania, in Michigan, in Ohio, and in the manufacturing regions in general. In Pennsylvania, 1 out of 10 workers has been unemployed, on the average, ever since this recession began.

The reasons for this situation are clear. Productivity in industry is increasing faster than production. Output per worker is rising faster than total output. That can only mean fewer workers.

The mayor of a Pennsylvania city, which has an unemployment rate above 20 percent, summed it up in a single illustration. The major steel plant in that city, at the peak production a few years ago, employed 17,000 men. That plant will shortly reach the same level of production, but will employ just 11,000 men. With a few exceptions, the other 6,000 men will probably never work in steel again. Where will they be employed? Nobody has the answer.

It is the same story throughout the steel regions of Pennsylvania, and Ohio, and Indiana, and every other State that produces steel. In that one industry, an estimated quarter of a million workers have been displaced and few will ever return to the steel plants.

We know the many thousands of persons displaced by technological improvements in the coal industry. We passed a depressed areas bill largely to assist in the rehabilitation of the coal regions. On the horizon we can now see the alarming prospect of a new group of depressed areas—those cities, once among the most prosperous in the country, which have relied on manufacturing. It is significant that Detroit, our major auto center, and Pittsburgh, our leading steel center, already qualify for assistance under the area redevelopment bill. There are fewer people employed in manufacturing today than there were 10 years ago—and yet the labor force has grown by almost 10 million persons. Service occupations simply have not absorbed the increase—and now these occupations too are beginning to be hit by automation. Moreover, in the 1960's the labor force will grow half again as rapidly as in the 1950's.

The Chairman of the Council of Economic Advisers, Dr. Heller, and the Chairman of the Federal Reserve Board, Mr. Martin, recently engaged in a rather abstruse debate before the Joint Economic Committee as to whether our unemployment is chiefly cyclical or chiefly structural. I am not sure that a precise answer to that question is of major importance. Certainly, the total is a compound of both types of unemployment. And to attack the problem will require a combination of two kinds of remedies.

The Subcommittee on Employment and Manpower of the Committee on Labor and Public Welfare has held a series of hearings on the general unemployment problem and on certain bills which we have before us.

Our witnesses were in general agreement that present governmental measures to deal with cyclical unemployment—in other words, measures to speed recovery through fiscal policy—are inadequate. It is my understanding that witnesses before the Joint Economic Committee took the same position.

The economists who testified before both committees said that the present outlook is for a rate of unemployment above 6 percent throughout 1961, with little prospect of getting down to 4 percent before the end of 1962. They also contended that there are steps the Government can take to speed the recovery—without fear of any significant inflation, and without incurring any risk through adding to the deficit.

Among the measures is one before our subcommittee, S. 986, which would authorize Federal aid for State and local public works.

The bill as written would authorize \$500 million in Federal grants to State and local governments to cover 45 percent of the cost of capital improvements of all kinds which would represent a net increase in the level of capital expenditure of the jurisdiction concerned. Priority would be given to projects which could be put under construction within 90 days and completed within 1 year thereafter. Another \$500 million would be made available if, after the initial authorization were committed, the President concluded the economy required

additional stimulation. Authority to make contracts would be automatically terminated when the seasonally adjusted rate of unemployment fell below 4 percent.

We have just concluded 4 days of hearings on this bill. The president of the AFL-CIO, a panel of economists, and representative spokesmen for the States, counties, and cities of America all supported a measure along the lines of S. 986. So did the Joint Economic Committee.

The witnesses who appeared before the subcommittee during the 4 days of hearings generally agreed on the following points:

First. Even with the recovery that is in prospect, unemployment will remain at unsatisfactory levels, above 6 percent during the rest of 1961 and above 4 percent during 1962.

Second. States and local communities throughout the country have a tremendous backlog of needed public works.

Third. A bill along the lines of S. 986 would serve the double purpose of stimulating the economy and helping State and local governments provide critically needed public improvements.

Some of the witnesses who supported the objectives of the bill suggested amendments to some of its specific provisions.

I turn now to a brief summary of the testimony:

Mr. George Meany, president of the AFL-CIO, contended that the end of the recession does not lessen the need for S. 986. During the last 7 years, each recovery has left us with a higher proportion of unemployment. At the 1959 peak, unemployment stood at 3.8 million, or 5.5 percent of the labor force. Total employment in manufacturing, mining, agriculture, and transportation is actually shrinking and shrinking fast. No new industries that will create massive employment are in sight, and in the 1960's the labor force will increase 50 percent faster than in the 1950's. Present projections indicate we will have more unemployed in a "prosperous" December 1961 than in the recession December of 1960. A chronic unemployment rate of 6 to 7 percent and creeping upward is intolerable.

Mr. Meany termed S. 986 a necessary supplement to other administration measures, because it will take effect immediately while they will be effective later. Billions of dollars in projects are on the "shelf" ready to be put under construction, as the result of planning undertaken with Federal assistance.

He added that if unemployment is sufficiently high to permit authorizations under the terms of S. 986, then circumstances call for a budget deficit. However, if unemployment does decline rapidly, then the President could terminate the program. Moreover, S. 986 will also have value as standby authority, ready for quick use when the next recession looms. It would be an additional built-in stabilizer in the economy.

Representative Henry Reuss, of Wisconsin, a member of the Joint Economic Committee, said that the most optimistic witnesses before the Joint Economic Committee estimated that unemployment would still be 6 to 7 percent at the end of 1961, and could not be expected to reach 4 percent before the end of 1962. These estimates were predicated on the upturn that is now taking place.

The Joint Economic Committee concluded that the total effects of all the actions so far taken and proposed will be small compared to the gap between the Nation's expected economic performance and its economic potential. It recommended legislation along the lines of S. 986.

Mr. Reuss reported that a study made during the last administration showed an accumulated backlog of State and local public works needs of \$160 billion. To overcome this backlog, and provide for necessary expansion totaling about \$40 billion, would require capital expenditures of \$20 billion a year over the next decade. During 1960, actual expenditure reached a level of \$12.5 billion.

A panel of seven economists expressed a consensus that additional fiscal measures are desirable at this time and that the additional deficit that would be incurred if S. 986 is passed is not, from an economic standpoint, a cause for serious concern.

Otto Eckstein, of Harvard University, said that if the gross national product reaches \$520 to \$535 billion by the fourth quarter, 5.5 to 6.5 percent of the labor force would still be unemployed. He considered it probable that, as has been true in most of the period since World War II, expansionary programs will be ruled out on practical grounds and therefore fiscal policy will not be pursued with sufficient vigor. With monetary policy constrained by international considerations, total economic policy will be inadequate. What people forget, Dr.

Eckstein reminded us, is that there is nothing particularly practical about a condition of slack in the economy. It costs us vast amounts of current output and loss of investment, increases pressure for a shorter workweek, hardens the resistance of unions to technological innovation, and slows the rate of productivity gain that keeps our products competitive abroad.

Horace M. Gray, of the University of Illinois, stressed the imbalance between the public and private sectors of the economy. He estimated a need for \$40 billion a year for 25 years in public investment, exclusive of defense, to bring the sectors into balance. He argued for a permanent comprehensive program of public investment rather than settling for a temporary emergency scheme like that proposed in S. 986. Moreover, arrangements would have to be made to finance such a program so that it would not increase deficits and thereby create more inflation.

Jewel J. Rasmussen, of the University of Utah, called S. 986 a most commendable step. The State of Utah this year could appropriate only \$14.6 million of \$51 million requested by the State building board, of which \$20.8 million was for projects classified as critical. Many of the public facilities should have a high priority among various demands on our income.

Paul A. Samuelson, of the Massachusetts Institute of Technology, said that present governmental programs fall short of the optimal amount of economic effect and expressed general sympathy with S. 986. The expansion in prospect will not be so vigorous and quick as to bring us back to tolerable levels of unemployment soon enough. The rate will still be above 5 percent in the last half of 1962. The massive shift in the Federal budget during 1959-60 (from a \$17 billion deficit to a \$7 billion surplus over a five-quarter period, in annual rates seasonally adjusted) acted as a brake on the economy. The budget will be in balance, on an adjusted basis, at the end of this fiscal year, which could similarly abort the recovery.

In the event the optimistic forecasts prove wrong, he suggested, the bill might be enacted with a formula to trigger it in the fall if, say unemployment remains above 6.5 percent for a specified number of months.

Gerhard Colm, of the National Planning Association, also emphasized the deficiencies in the public sector of the economy. A GNP of \$525 billion in the fourth quarter would mean over 6 percent unemployment. Measures will be needed to create additional employment opportunity. In any case, a program like that of S. 986 would be useful to have on the statute books at all times as a standby antirecession measure. Because of the rapid and the automatic increase in revenues, a substantial increase in expenditures is possible without a deficit occurring under conditions of high employment. Monetary policy can offset minor misjudgments in fiscal policy.

D. Hamberg, of the University of Maryland, said that the economy needs more stimulus and this method commands praise. He felt that the measure is, in fact, too limited.

Harvey E. Brazier, of the University of Michigan, urged a variation of the local contribution according to the local rate of unemployment. Rather than abandon the bill because of the prospective deficit, he urges that revenues be increased by closing tax loopholes.

Mayor Henry Maier, of Milwaukee, on behalf of the American Municipal Association, advocated the plan outlined in S. 986 as permanent antidepression policy. There would be no time gap in Milwaukee in swinging the program into action. The city has projects totaling \$35 million that could be started rapidly.

The Senator from Michigan, Mr. Hart, quoted Kermit Gordon, member of the Council of Economic Advisers, as saying:

"Even with a good recovery, with a good brisk recovery from the recession, it doesn't seem very likely, I wouldn't bet, on the proposition that unemployment in the United States as a whole is going to fall below the 6 percent mark by the end of the year. In other words, we have moved up, we're turning up, the economy is moving in the right direction, but we've got a long way to go because of this accumulated slack which has developed over the years."

Senator Hart said that the city of Detroit and the six metropolitan counties could place under construction within 90 days a total of \$205 million in projects.

Responding to a questionnaire from the Senator, 35 Michigan cities of all sizes indicated the program would help. Of these cities, 22 have projects which clearly could be put under construction in 90 days, valued at \$95 million. All of these cities could raise their share of the cost.

Gov. John B. Swainson, of Michigan, said it would be a serious error to assume that normal recovery will solve unemployment problems, and make emergency action unnecessary. Projections indicate 10 percent unemployment through 1961 in Michigan.

Mayor Joseph M. Barr, of Pittsburgh, reported that unemployment in the Pittsburgh area was 11.8 percent as of May 1 and asserted that we cannot afford to wait any longer to see if the economy will right itself.

Mayor de Lesseps S. Morrison, of New Orleans, said the bill will put people to work, pump new dollars into the economy, help to construct much needed municipal facilities which otherwise would have to be postponed indefinitely, and improve property values and thus expand the municipal tax base. New Orleans has a \$6.5 million drainage project, now deferred, which could be put underway immediately. The Federal income tax from putting idle land into use would repay the Federal contribution under the bill. Other projects totaling \$4 million are stalled for lack of funds.

C. D. Ward, general counsel of the National Association of County Officials, reported results of a sample poll of 65 counties showing that, with Federal aid, planned expenditures during the next year would be increased from \$36 million to \$136 million.

Mel F. Nielson, supervisor of Contra Costa County, Calif., said that capital improvement needs in his county totaled \$35 million in the next 5 years. S. 986 would enable the county to proceed with \$1 million in public buildings, \$1 million for roads, and \$500,000 to \$1 million for park development.

Delos Hamlin, chairman of the Oakland County, Mich., Board of Supervisors, said that a survey by the six counties in the Detroit metropolitan area revealed a need for \$1.2 billion in public works. County governments do not have the financial resources to cope with the alarming inadequacy of public facilities serving the rapidly growing suburbs.

Armand H. Cote, director of the Department of Employment Security, State of Rhode Island, termed an emergency works program the State's most crying need. S. 986 would enable Rhode Island to complete within a year capital improvements now scheduled over a 5-year period. Unemployment in the State averaged 9.8 percent in the first 4 months of 1961.

William J. McSorley, of the Building and Construction Trades Department, AFL-CIO, reported that 20 percent of construction workers were unemployed in April, and that unemployment in the industry is nationwide.

Charles T. Stewart, of the U.S. Chamber of Commerce, the only witness opposing the bill, said that a tax cut would be preferable because private spending thus made possible would be manifestly more helpful to employment and to national welfare than public spending. He feared the bill would be used to finance make-work projects. He argued its impact might be felt during prosperity rather than recession, because of the delays in reducing the activities which it generated. He objected on principle to grants as impairing the independence of State and local governments. He also criticized a number of specific provisions of the bill.

Mr. President, I had hoped that the administration would reach the conclusion that this bill would be a desirable additional stimulus to the economy, or that equally effective measures would be taken. So far, I have been disappointed. Nevertheless, the subcommittee will invite the administration to appear, conclude the hearings, and then make our own recommendations to the full committee and to the Senate. In view of the alarming trend of unemployment, I believe that we have a duty in the legislative branch to reach our own legislative conclusions as to whether action is necessary.

Our subcommittee is also proceeding on a major measure to deal with structural unemployment. This is the President's proposal, transmitted earlier this week, to inaugurate a program of mass retraining of unemployed workers whose skills have been rendered obsolete by automation or other technological advance, or who do not have any skill at all. One of the anomalies of our economy is that even in the midst of a recession, with 5 million persons unemployed, some jobs are going begging. Nobody knows how many there are, or how many pay standard wages, but in any case we know that there are some good jobs that cannot be filled because qualified persons cannot be found. Hearings on this bill, and on a similar bill which I introduced earlier in this session, will be concluded next Wednesday, after which I hope we can act promptly to report a measure to the full committee and then to the Senate.

These two bills complement each other by tackling two different aspects of the unemployment problem. The public works bill would help to lift the whole

economy by creating jobs, production, and purchasing power. The retraining bill would equip unemployed individuals to fill the jobs. They are companion measures. On the one hand, retraining cannot be fully effective unless an expanding economy is seeking the workers who are being trained. On the other hand, fiscal measures to expand the economy will be limited in their effect if workers do not have the skills necessary to fill the jobs created.

A third bill, which we expect to have before us soon, will tackle a second phase of structural unemployment. It will provide employment opportunities, as well as job training, for the Nation's youth—among whom the unemployment rate is dangerously high. Dr. James Bryant Conant, in a startling speech the other day, pointed out that a sample census in one large area of a big city showed that 70 percent of the young men between the ages of 16 and 21 are neither in school nor at work. This is obviously an explosive situation, which is at the heart of much of the alarming rise in juvenile delinquency and crimes committed by young men.

The subcommittee has had before it since early in the year a bill to create a Youth Conservation Corps, sponsored by the able Senator from Minnesota, Mr. Humphrey, and patterned on the one the Senate passed last year. The administration bill, we understand, will be somewhat broader, encompassing a wider variety of programs than the YCC alone. As soon as the administration measure is received, the subcommittee will schedule hearings, with a view to reporting out a bill by the end of June.

U. S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
May 26, 1961.

C. F. JABLONSKI,
City Manager,
Bay City, Mich.

DEAR MR. JABLONSKI: Thank you for your letter in support of S. 986, my bill to authorize a 45 percent Federal grant program for the construction of State and local public works of all kinds.

Hearings were held last week by my subcommittee (Subcommittee on Employment and Manpower) and testimony was received on S. 986 from Governors, mayors, county officials, and economists. The hearings were led off by George Meany of the AFL-CIO and I am enclosing a copy of my opening statement.

I am sending your letter and public works assistance survey to the committee for inclusion in the record.

We will continue to work for the enactment of this legislation although the administration has not, as yet, come out in support of it.

Sincerely,

JOSEPH S. CLARK.

CITY OF BAY CITY,
Bay City, Mich., May 10, 1961.

Republic works acceleration.

Hon. JOSEPH S. CLARK,
Senate Office Building, Washington, D.C.

DEAR SENATOR CLARK: At the invitation of Senator Philip A. Hart of Michigan, the mayors and city managers of Michigan attended a work conference in Washington, D.C., on May 5, 1961.

The object of the conference was to discuss the area development bill, which was recently signed by President Kennedy. The workshop on the bill was very informative and we appreciated the opportunity of meeting with the Senator and discussing some of our problems, particularly as they pertain to unemployment. Bay City is plagued with such a problem and the last count shows that our unemployment has reached approximately 20 percent. This is far more than desirable at any time, particularly in this community.

At the conference, we were presented with a survey for public works assistance, which, as I understand, refers to Senate bill 986. We are enclosing, for your information, the results of the local survey and would be most appreciative if favorable action could be given to the bill, which would help us materially in solving some of our local problems and also employing men in the projects indicated in the survey.

Very truly yours,

C. F. JABLONSKI, *City Manager.*

EMERGENCY EMPLOYMENT ACCELERATION ACT

MICHIGAN

MAYORS

Public Works Assistance Survey

Name of Municipality _____ Bay City _____ Population(1960) 53,604

Consideration is being given to recently proposed legislation which would authorize Federal assistance grants to State and local government public works up to 45 percent of project costs. The Federal grants would be made only for those projects which result in a net increase in the level of capital improvement expenditures of the State or local government, i.e., for capital expenditures in excess of those originally budgeted for the current fiscal year. The grants would be limited to those projects which can be started within a reasonable short period of time, with priority to be accorded to projects which can be started within 90 days.

To assist in gauging the need for this type of Federal assistance, it would be appreciated if you would answer the following questions:

1. Would these grants be of help to your city? Yes No
2. If yes, indicate types of projects, estimated cost and expected means of financing balance of cost.

Type of Project	Estimated Cost (000)	Other Financing (check Appropriate Box) <u>Borrowing Current Budget</u>
<input checked="" type="checkbox"/> streets and sidewalks	\$212,640.	
<input checked="" type="checkbox"/> water distribution	\$759,000.	(See reverse side)
<input type="checkbox"/> sewerage disposal		
<input checked="" type="checkbox"/> gas and other utilities	\$40,000;	(See reverse side)
<input checked="" type="checkbox"/> parks and playgrounds	\$13,000.	
<input type="checkbox"/> hospitals and health facilities		
<input checked="" type="checkbox"/> public buildings	\$100,000.	
<input type="checkbox"/> others (please specify) _____		

3. For these projects, indicate status of the following: (If status differs for each project, explain on other side of paper).

- a) Plans and Specifications Completed Underway Not Started
Date first project can be started June 1, 1961.
- b) Referendum on bond election Unneeded or Completed Scheduled in next
6 months
- c) Bond Financing Unable to borrow because of legal debt ceiling
 Can issue G.O. bonds within legal debt ceiling
 Intend to use revenue bonds
- d) Cash financing Can make allowance in current budget
(for remaining cost of project) Funds accumulated in previous years
and now at hand

4. Current year's capital improvements budget calls for expenditures of approximately \$ 350,000.00.

Water Distribution 36" transmission main - estimated - Plans & Specs.
not started.

Gas and other utilities Electric Underground cables - estimated - Plans
& Specs. under way.

DENVER, COLO., May 19, 1961.

HON. JOSEPH S. CLARK,
*Chairman, U.S. Senate Subcommittee of Employment and Manpower,
 Senate Office Building, Washington, D.C.*

I sincerely regret that other demands and prior commitments of my time will not permit me personally to testify on S. 986. With your permission, I am taking the opportunity to forward a statement setting forth for the record my support of this measure. Cordial personal regards.

STEVE MCNICHOLS,
Governor of Colorado.

STATE OF WEST VIRGINIA,
 OFFICE OF THE GOVERNOR,
 Charleston, May 16, 1961.

HON. JOSEPH S. CLARK,
*Chairman, Subcommittee on Employment and Manpower,
 Senate Office Building, Washington, D.C.*

DEAR SENATOR CLARK: Although I find it impossible to arrange my schedule in such a manner as to allow my appearance at the hearings relative to Senate bill 986, I wish to express my appreciation for your invitation. You know of my interest in this vital matter, and I regret my inability to testify.

With kindest regards and best wishes, I am

Sincerely yours,

WILLIAM WALLACE BARRON, *Governor.*

SUPERVISORS INTER-COUNTY COMMITTEE,
 Detroit, Mich., May 12, 1961.

COMMITTEE ON LABOR AND PUBLIC WELFARE,
 U.S. Senate, Washington, D.C.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: It has come to our attention that your committee is conducting hearings relative to a legislative proposal, Senate bill 986, the purpose of which is to assist in the reduction of unemployment through the acceleration of capital expenditure programs of State and local public bodies.

The Supervisors Inter-County Committee, a voluntary association of the Michigan counties of Macomb, Monroe, Oakland, St. Clair, Washtenaw, and Wayne, considers the establishment of this program vital in aiding to create employment in an area in which unemployment is reaching distressing levels which would be possible if favorable consideration were given to Senator Joseph S. Clark's bill, Senate bill 986.

As executive secretary of the Supervisors Inter-County Committee, I would like to submit for the record the following resolution adopted by the Supervisors Inter-County Committee:

"RESOLUTION

"Whereas the Supervisors Inter-County Committee composed of representatives from the boards of supervisors of the Michigan counties of Macomb, Monroe, St. Clair, Oakland, Washtenaw, and Wayne, has been vitally concerned with the inability of local government to finance the planning and construction of public facilities; and

"Whereas there have been introduced into the U.S. Congress Senate bill No. 986, House of Representatives bill No. 6441, and House of Representatives bill No. 2403, which would make available loans, grants, and Federal faith and credit to further the planning and construction of public facilities; and

"Whereas such facilities are needed for the orderly development and growth of urban areas and are beyond the ability of local government to finance; and

"Whereas these three bill, S. 986, H.R. 6441, and H.R. 2403, will also aid in creating employment in an area in which unemployment is reaching distressing levels; and

"Whereas the Supervisors Inter-County Committee has already developed a partial list of projects which would solve some of these problems, and which benefit from passage of these bill: Now, therefore, be it

"Resolved, That the Supervisors Inter-County Committee heartily endorses and support Senate bill No. 986, House of Representatives bill No. 6441, and House of Representatives bill No. 2403 as being vitally needed measures which should be enacted, thereby increasing the ability of local government to help itself in a properly financed and orderly planned manner, in solving urban area problems; and be it further

"Resolved, That copies of this resolution be sent to the Senators and Representatives from Michigan and the National Association of County Officials for their information and use."

It is sincerely hoped that your Senate Committee on Labor and Public Welfare will give favorable consideration to Senator Joseph S. Clark's bill Senate bill No. 986.

Respectfully,

GERARD H. COLEMAN,
Executive Secretary.

BOSTON, MASS., May 18, 1961.

Senator JOSEPH CLARK,
*Chairman, Subcommittee on Employment and Manpower,
New Senate Office Building,
Washington, D.C.:*

As a municipal official and private citizen, I want to commend you for your timely bill, S. 986. I believe this bill is an excellent start toward providing American municipalities very needed projects.

May I suggest an amendment to your bill in which municipalities will be aided with funds for engineering services in the planning and detail of these capital outlay projects. The engineering departments of most New England communities are not sufficient to quickly plan the projects your bill intends.

I would appreciate your reading this letter to your committee.

Best of luck.

STELIAN DUKAKIS,
Brookline, Mass.

[From the Congressional Record, Senate, May 9, 1961]

FEDERAL GRANTS FOR ACCELERATION OF STATE AND LOCAL PUBLIC WORKS—NOTICE OF HEARING

Mr. CLARK. Mr. President, I am glad to announce that the Subcommittee on Employment and Manpower, of the Committee on Labor and Public Welfare, will hold hearings on May 17, 19, 22, and 23 on S. 986. This is a bill which I have introduced, with the cosponsorship of Senators Randolph, Gruening, and Pell, to provide for Federal grants for the acceleration of State and local public works to help speed our recovery from the current economic slump.

Mr. George Meany, president of the AFL-CIO, has accepted an invitation to be the leadoff witness on May 17. Mr. Meany recently addressed a letter and statement to President Kennedy endorsing legislation along the lines of S. 986.

We are inviting representative Governors, mayors, and county officials to give us their views as to whether such a bill would be useful and practical, both to counter the recession and to help communities all over America to catch up on their immense backlog of public-works needs.

We will also hear the views of a representative group of academic economists who are experts on business cycles and fiscal policy, and spokesmen for employer organizations.

I wish to take this opportunity to extend an invitation to any Senator or Representative who may wish to testify regarding this measure.

As has been noted in various accounts in the press, the administration has this measure under active consideration, but has not yet determined its position. When the administration has reached a conclusion regarding the bill, its spokesmen will be scheduled.

The bill, as now written, provides \$500 million in Federal grants for State and local public works of all kinds, which represents a net increase in the level of capital expenditure of the State or local jurisdiction concerned. The Federal share would be 45 percent. Another \$500 million is made available to the President for use if he determines, after the first \$500 million is exhausted, that additional public works are needed to expedite economic recovery. Authority to

enter into assistance contracts terminates automatically when unemployment falls below 4 percent.

I am immensely gratified that the Joint Economic Committee, in its recent report, recommended enactment of a program such as that provided by S. 986.

Those who remember the depression of the 1930's will note that this program is patterned after the Public Works Administration of that period—the PWA—as distinguished from the WPA—which was one of the most successful and respected of the New Deal agencies.

When the last recession came to an end, Federal revenues rose about \$10 billion in a single year. That was the difference between revenues in the fiscal year 1959, when the impact of the recession was felt, and the fiscal year 1960, the first year of recovery. These figures show the importance to the Federal budget of getting out of this present slump a good deal faster than we now appear to be moving. If we can lick this recession, through public works expenditures, and other measures, these expenditures will in large part pay for themselves through the increased Federal income which would be generated by a stronger economic recovery.

On March 29, I inserted in the Record a series of 60 letters from municipalities all over the country, received by the American Municipal Association in response to a questionnaire which it circulated to its member cities asking whether they would undertake additional public works if S. 986 were passed. Three-quarters, or 45, of the responding cities answered "Yes," while 15 were either negative or noncommittal.

Since that time, the AMA has received 26 additional letters in response to its inquiry. Of these, 22 report that they would be able to take advantage of the bill, none are negative, and 4 either express uncertainty or are noncommittal. So that my colleagues may get a clearer picture of how this bill would affect the municipalities in their States, I ask unanimous consent that a tabulation of the 26 replies, and the individual letters, be inserted in the Record at this point as a part of my remarks. Most of the letters are addressed to Mr. Patrick Healy, Jr., executive director of the American Municipal Association.

I also ask unanimous consent that the letter from Mr. George Meany to President Kennedy and the statement accompanying that letter, to which I referred earlier, be inserted in the Record.

(There being no objection, the material was ordered to be printed in the Record, as follows:)

[From the Congressional Record, Senate, Mar. 29, 1961]

REPLIES TO SURVEY CONCERNING PUBLIC WORKS ACCELERATION BILL, S. 986

CITY OF HUNTSVILLE, ALA.,

March 14, 1961.

HON. JOHN SPARKMAN,
U.S. Senate Building, Washington, D.C.

DEAR JOHN: It has been brought to my attention that Senator Clark, of Pennsylvania, has introduced legislation in the Senate authorizing 45-percent public works grants by the Federal Government as an incentive to State and local governments to accelerate their capital expenditure programs. As I understand it, this grant would be based on the amount of additional public works undertaken by the local government over and above the amount it would have normally put underway in the course of the year.

Although our city has done an enormous job toward taking care of our needed public improvements, as you well know, we have been unable to keep them abreast of our phenomenal growth. This bill appears to be part of the answer to a very difficult problem of our municipal government. Undoubtedly, if this legislation were enacted we would be in a position to take advantage of its provisions. Over the period of a year we could easily put under contracts additional public works above what we had planned in excess of \$5 million.

I, personally, would appreciate any help that you can give toward the enactment of this legislation for the benefit of our city. In so doing, I feel that I am expressing the will of our entire municipal government.

With kindest personal regards, I am,

Yours truly,

R. B. (SPECK) SEARCY, Mayor.

CITY OF ANCHORAGE, ALASKA,
February 27, 1961.

AMERICAN MUNICIPAL ASSOCIATION,
Washington, D.C.

GENTLEMEN: We have your bulletin of February 23, reference public works acceleration.

Our city would be in a position to take advantage of this legislation. We would estimate \$1 million of additional construction this year, if the law were enacted in time to do the work during the 1961 construction period.

The factor of additional employment is difficult to state. We would guess that 100 people would be employed for 6 months on a direct basis, and perhaps 50 indirectly.

Very truly yours,

C. A. HOSTETLER, *City Manager*.

CITY OF KODIAK, ALASKA,
February 27, 1961.

GENTLEMEN: S. 986, introduced by Senator Joseph S. Clark, of Pennsylvania, has considerable merit from the viewpoint of the small Alaskan city. Since the demise of the Alaska Public Works Act, such cities have been forced to either abandon or withhold needed planned public works projects due to high cost of construction in Alaska. With Federal aid of 45 percent of the cost, such projects could be reactivated on very short notice.

The city of Kodiak has the following projects planned for future construction which are needed today, rather than a few years hence:

Water system extension.....	\$300,000
Sewer system extension.....	200,000
Street improvement.....	200,000

All of the above projects have had preliminary engineering studies and could have final engineering completed within a few months. Employment benefits would accrue to possibly 5 percent of our working people.

Almost 10 percent of the local population are living in homes not presently serviced by sanitary sewage systems. The cost of construction of a sewage system for this area on a special assessment basis amounts to over \$800 per lot, which is almost prohibitive.

It seems criminal that our own nationals can be living under such conditions while so much Federal money is being spent on foreign aid.

The Public Works Acceleration Act, known as S. 986, would be a big step to counteract this situation.

Very truly yours,

BILL M. POLAND, *City Manager*.

CITY OF PHOENIX, ARIZ.,
March 16, 1961.

DEAR MR. HEALY: This will acknowledge receipt of your letter of March 10 referring to S. 986, introduced by Senator Joseph S. Clark, of Pennsylvania.

This is to advise that we are not in favor of this legislation.

Sincerely yours,

SAMUEL MARDIAN, Jr., *Mayor*.

CITY OF ALAMEDA, CALIF.,
March 16, 1961.

DEAR MR. HEALY: Thanks for your letter of March 21, 1961, regarding the merits of Senator Clark's S. 986.

While we have no major projects for which final plans are now on file, there are several which are well past the preliminary stage and could, I think, be brought to bid within perhaps 2 months. The unfortunate aspect of having to provide this kind of information is that we do not know how much time we are talking about. Certainly if construction in fiscal 1961-62 is contemplated, as your bulletin seems to imply, we could ready additional projects, but in terms of the next few months our opportunities would be limited.

We are very nearly ready to go, for example, on two swimming pools at a cost of roughly \$220,000; these would normally not be built for at least a year and probably two. With more planning time, we could undertake the construction of

at least one, and perhaps as many as three fire stations, the replacement of a bridge across the estuary, and the development of roughly 15 acres of parks. The bridge alone would run to something like \$3,500,000, although I would guess that design and working plans might take too long to qualify. The other projects would aggregate in the range of \$500,000. With the prospect of a Federal grant, I think we could make local funds available to the extent of nearly \$2 million. Any expenditures so made would be in addition to what we would normally contemplate in fiscal 1961-62, and would obviously stimulate local employment.

Sincerely,

WILLIAM M. McCALL, *Mayor.*

CITY OF DOWNEY, CALIF.,
March 23, 1961.

Senator JOSEPH S. CLARK,
Senate Office Building, Washington, D.C.

DEAR SENATOR CLARK: The city of Downey wishes to urge support of Senate bill 986 to provide increased employment opportunities through the authorization of additional public works grants to State and local governments. The following needs are submitted for your consideration in presenting this bill. Currently, street and bridge deficiencies within the city are comprised of the following:

1. Major highways (100-foot rights-of-way) example: Imperial Highway, Paramount Blvd., Woodruff Ave., Telegraph Rd., etc.	\$1,851,000
2. Collector streets (80-foot rights-of-way) example: Downey Ave., Brookshire Ave., Stewart and Gray Rds., Gardendale St., Belflower Blvd., Clark Ave., etc.	6,581,000
3. Local streets (60-foot rights-of-way and less) streets which do not normally qualify for gas tax funds	2,420,000
Total	10,852,000

The above cost estimates include acquisition of needed rights-of-way by purchase as opposed to gratis dedication.

If additional funds can be allocated to the city directly or to the city through the State, we will be in a position to engineer and put these moneys into beneficial use in the construction of streets and the employment of additional people.

We congratulate you upon your enthusiastic initiation and support of this bill to accelerate employment throughout the United States.

Very truly yours,

CARROLL M. DUNNUM, *Mayor.*

CITY OF INGLEWOOD, CALIF.,
March 22, 1961.

DEAR MR. HEALY: Your letter of March 10, addressed to the Honorable George C. England, mayor of Inglewood, was presented at the city council meeting on March 21.

Council instructed the administrative officer to indicate thier support of Senator Clark's bill, S. 986.

We believe our community would be able to take advantage of this bill and could increase public works expenditures between \$300,000 and \$500,000 over and above the amount planned for next year. We believe this would provide a minimum of 7,000 man-days of additional manpower. This amount, of course, would vary depending upon the type of public works construction undertaken.

With best regards, I am,

Sincerely,

WALTER HAHN, JR., *Administrative Officer.*

CITY OF WOOD RIVER, ILL.,
March 23, 1961.

GENTLEMEN: The Illinois Municipal League has asked us to advise your office on Senator CLARK's bill to increase public works. I believe this is S. 986. In regard to this proposed municipal work our community would definitely be in a position to take advantage of increased public works grants. On street and storm drainage improvements we have needed improvements over and beyond the amount we are able to finance from current revenues in the neighborhood of \$500,000. If this public works included improvements and replacements of existing utilities, such as a waterplant, our community would spend approxi-

mately \$1 million in this particular category. Engineering studies have been made and it would only require the completion of construction plans.

It is difficult to estimate the additional employment that would result from these construction contracts; however, I believe it would be safe to estimate that one-half of the construction costs would be for labor and the balance for material and equipment.

We would be very much in support of Senator Clark's proposal. I am sure that the cost involved to the taxpayer will be considerably less than is now, being spent for the cold war and will make a far greater impression and concrete demonstration of democracy in action. In relation to the rest of the world I think that there is a quotation that is appropriate and fitting to the American example to the world. It is, "What you are speaks so loudly I cannot hear a word you say." It is time that we set some economic examples to the world.

Very truly yours,

CARLTON W. LAIRD, *City Manager.*

POMONA, CALIF.,
March 21, 1961.

DEAR MR. HEALY: After reviewing Senator Clark's bill, S. 986, it is my opinion that the city of Pomona would not, with one possible exception, be in a position to take advantage of the legislation if enacted. There is a remote possibility that we might be able to start construction of a new city hall by making use of the proposed 45-percent public works grants.

Although we would like to take advantage of Senator Clark's proposal the main problem is that during periods of unemployment our sales tax revenues tend to fall off and therefore we are less in a position to initiate large public works projects than during more prosperous times. Thus while public works projects may have a countercyclical effect, the ability to finance them appears to be tied directly to the swings of the economy.

Thank you for giving us the opportunity to comment on this proposed legislation.

Sincerely,

ARTHUR H. COX, *Mayor.*

CITY OF SACRAMENTO, CALIF.,
March 23, 1961.

DEAR MR. HEALY: This will acknowledge with thanks receipt of your letter of March 10 relative to Senator Clark's bill, S. 986.

There is one condition in the bill that might reduce its value to us. Section 4(b) (1) provides:

"No grant shall be made with respect to any project unless such project results in a net increase in the current annual level of capital expenditures of the applicant."

This would mean that a city like Sacramento, which has been maintaining a high level of current capital expenditures—a level at the maximum possible to carry on within practical ad valorem taxing limits, would be unable to find other moneys to qualify. The original PWA programs did not have this "increase in current level of expenditure" requirement. Thus, in the thirties, we were able to use available funds, supplement these funds with the 45-percent grant, and thus accomplish more public works and provide more employment.

Sincerely yours,

JAMES B. MCKINNEY, *Mayor.*

CITY OF SAN LEANDRO, CALIF.,
March 17, 1961.

DEAR MR. HEALY: Regarding your letter of March 10, 1961, concerning S. 986, we feel that the bill would accomplish its objective of stimulating construction and employment.

If this bill passes I would expect us to use reserve funds which, coupled with the grant, would total approximately \$400,000 for sewage works improvements and new street alignments—projects on which we've done preliminary engineering, but because of money and priority problems are presently scheduled for 2 years hence.

Yours very truly,

WESLEY McCLURE, *City Manager.*

CITY OF SANTA ANA, CALIF.,

March 23, 1961.

DEAR MR. HEALY: In reply to your letter of March 10, your communication was referred to our council at our informal work session.

We are unable to take advantage of the provisions provided in Senator Clark's bill.

Very truly yours,

A. E. HALL, *Mayor*.

CITY OF SOUTH GATE, CALIF.,

March 22, 1961.

DEAR MR. HEALY: Reference your letter of March 10 on Senator Clark's bill S. 986. I have made a study of what benefits our own city might possibly achieve and find that we have projects to the extent of possibly one-half million dollars in improvement and widening of main thoroughfares which could alleviate our traffic conditions quite considerably. Thus, we feel that Senator Clark's bill would, in our opinion, be an excellent bill and give it our most hearty endorsement.

Cordially yours,

MILO DELLMANN, *Mayor*.

CITY OF GRAND JUNCTION, COLO.,

March 2, 1961.

DEAR SENATOR CLARK: The American Municipal Association has requested that its members comment as to the bill you propose allowing for 45 percent participation of the Federal Government in local projects. This would be a great help to our community.

As I read the Congressional Record of your introduction of the Senate bill 986 I note that the type of project is not so important as is the fact that it is a part of a community development. I assume from this that communities will have a bit more leeway in selecting the projects and their scopes than they have had under Federal participation programs in the past.

I think this is very important since our present cities and urban communities are more flexible than they used to be and are requiring different types of projects of a capital nature than simple sewer, water, streets, and city hall construction. You may count on much support from our area of the Nation and from our community in particular.

Sincerely,

JOE M. LACY, *City Manager*.

CITY OF ST. PETERSBURG, FLA.,

March 23, 1961.

DEAR MR. HEALY: Attached please find copy of recommendation presented to city council by City Manager George K. Arnes on Tuesday, March 21.

I have been informed by Mr. Frank McDevitt of our legal department that a resolution to this effect will shortly be prepared and sent to our legislative delegation in Washington. A copy of this resolution will also be sent to your office.

Sincerely,

BURL McCARTY,
Public Relations Director.

MARCH 21, 1961.

To: Honorable mayor and members of city council.

From: City manager.

Re: Excerpts from the Congressional Record of 87th Congress and national legislative bulletin from the American Municipal Association.

In order to accelerate public works activities, it is recommended that the proposed bill, S. 986, be promoted by council.

This bill provides a program that would greatly assist us in our storm drainage problem. Matching funds of approximately 45 percent as proposed by the bill would be a great aid to us because, as has so often been discussed, major trunklines in our storm drainage system cannot very well be assessed against individual property owners.

This bill also applies to public streets, sidewalks, highways, parkways, bridges, parking lots, airports, and other public transportation facilities, public parks, pub-

lic recreational facilities, hospitals, rehabilitation health centers, public refuse and garbage disposal facilities, water, sewerage, sand sanitary facilities, and other public utilities, civil defense facilities, police and fire protection facilities, public libraries, museums, etc.

It is recommended, since the above items are included in the bill, that council take favorable action to support this program through the American Municipal Association.

Respectfully submitted.

GEORGE K. ARMES.

CITY OF ALBANY, GA.,
March 14, 1961.

DEAR MR. HEALY: Mayor Kelley has referred your letter of March 10 concerning Senator Clark's bill, S. 986, to me for reply:

In answer to the three specific questions:

1. Albany is in a position to take immediate advantage of any public works grants.

2. We could put as much as \$5 million under contract very shortly by the construction of our master plan for storm drainage.

3. The construction forces necessary to perform this work would result in the employment of at least 50 workers directly and would give added employment to many more through the impetus of construction payrolls.

Yours truly,

C. C. BURNETT, *City Manager.*

CITY OF ATLANTA, GA.,
March 13, 1961.

DEAR MR. HEALY: I have yours of March 10 with reference to S. 986, the public works acceleration bill.

In the first place, bear in mind that your letter and this bill comes out of a gigantic pile of mail about all sorts of things, and therefore cannot have the mature consideration which the subject deserves.

I have the highest respect for Senator Clark and his good intentions. However, I get the impression that most of these emergency bills seem to envision certain Pennsylvania towns and places like Detroit as indicative of the whole Nation.

As to Atlanta, we are growing by leaps and bounds. We are spending local bond funds and revenue certificates and expect to issue more in the near future. In addition, the Federal express highway program is moving forward in all sections of our town. To be frank about it, the whole town is torn up now with public works going on, in addition to many private buildings and facilities.

In reading the bill, with its conflicting formulas, I get the general impression that it will give chief employment to thousands of bureaucrats, clerks, stenographers, statisticians, and other gobbledygookers.

With reference to the advanced planning for all sorts of public works, we are not averse to intelligent planning ahead—indeed, we do just that very thing. However, we notice there is a tendency of professional planners to rush in and propose planning for all sorts of impossible and impractical things, merely because Federal funds are available. In other words, we are beginning to feel there is too much planning for planning's sake, instead of confining planning to those things which are possible for present or reasonable future achievement.

Very truly yours,

W. B. HARTSFIELD, *Mayor.*

CITY OF ALTON, ILL.,
March 23, 1961.

GENTLEMEN: As requested by the Illinois Municipal League, we have given preliminary review to the "plans for public works" bill introduced by Senator Joseph S. Clark.

Based upon this review, it is our feeling that Alton will be in a position to take advantage of this legislation if it is enacted. We estimate that within the next 1 to 4 years Alton might be able to place \$2 million of additional public works under contract, this being in excess of what is now planned. Approximately 150 to 200 man-years additional employment would result.

Very truly yours,

GRAHAM W. WATT, *City Manager.*

CITY OF SPRINGFIELD, ILL.,
March 16, 1961.

DEAR MR. HEALY: Replying to your letter of March 10 concerning Senator Clark's bill, S. 986.

The city of Springfield would be most anxious to embark on a short-range program to include substantial amounts of street paving, sidewalk reconstruction, street lighting, and offstreet parking lots.

It would be very difficult to give you an actual dollar amount, but we could speed up our program for our community to accomplish within the next 5 years what we hope to accomplish on our own within the next 10 to 15 years.

With kindest regards,

LESTER E. COLLINS, *Mayor*.

CITY OF DUBUQUE, IOWA,
March 7, 1961.

GENTLEMEN: We in the city of Dubuque have Senator Clark's bill, S. 986, which would authorize grants for stimulating State and local government public works programs, and we should like the Senator to know:

First, that our community would be in a position to take advantage of the legislation if it is enacted.

Second, if we consider only a single project in the city of Dubuque, we have available plans and specifications on the shelf for an important railroad overpass which is estimated to cost \$1,200,000. This and many other projects could be accomplished.

Third, we believe that on the single overpass project, an additional 30 to 50 skilled and semiskilled laborers could be put to work.

We greatly appreciate your help in presenting our Dubuque position on the bill to Senator Clark.

Sincerely,

GILBERT D. CHAVENELLE, *City Manager*.

CITY OF OTTUMWA, IOWA,
March 15, 1961.

DEAR MR. HEALY: The Ottumwa City Council has reviewed the proposed Senate bill 986 as proposed by Senator Clark, and I regret to advise that inasmuch as prior public works planning has obligated the city to the legal limit of our bonded indebtedness, it appears unlikely that our city could take advantage of the proposed legislation.

Sincerely,

GORDON BENNETT, *City Manager*.

CITY OF WATERLOO, IOWA,
March 13, 1961.

DEAR MR. HEALY: In answer to your letter of March 10 regarding Senator Clark's proposal of the crash program for public works, I would like to cast our vote for this proposal because we believe that President Kennedy is on the right track in helping with unemployment problems.

The city of Waterloo is the largest industrial center in Iowa and we are faced with an additional industrial layoff in the next 2 or 3 months which would create a very serious situation in our community. We need help now, not next year and, therefore, believe there are better ways to accomplish the program than Senator Clark's proposal.

For 3 years, we have been working on a multitude of requirements, information, ordinances, council actions, surveys, both physical and sociological, for an urban renewal program. This program has been completely approved at the regional level and only awaits Washington's final signature. We get telegrams and letters from President Kennedy urging us to go ahead but nothing happens.

We have a sanitary sewer program which was certified by our State board of health to the Water Pollution Control Act, but was not in the first 10 projects in Iowa approved for Federal grant and, therefore, we are left out. These certified plans and specifications of this project are filed in Washington but nothing happens. The above application was filed last fall.

We have a 5-year program for public works for the city of Waterloo, including several projects. Any of these could be used in Senator Clark's proposal. Instead of a new program, wouldn't it be much better for Senator Clark to put his

efforts behind all the programs that have been approved and are ready to go and only lack the final Washington decision? Our unemployment problem is now.

Very truly yours,

Ed JOCHUMSEN, *Mayor.*

KANSAS CITY, KANS.,
March 21, 1961.

DEAR MR. HEALY: With reference to your letter of March 10 regarding Senator Clark's bill S. 986, we are happy to make a few comments regarding this bill and its merits.

Under normal circumstances I believe that we would be opposed to Senator Clark's bill S. 986 because we firmly believe if we continue to call upon the officials in Washington to help us out with our finances that eventually we will be drifting into a socialistic trend. However, due to the fact that this bill seems to be for the purpose of helping our unemployment situation, which we have to agree is not too good in Kansas City, Kans., we would favor such a bill at this time.

We are now working on a public works project as to pollution abatement in which the taxpayers of Kansas City, Kans., have just recently voted a \$15 million bond program. Within the next 3 years we intend to spend this money on a complete separation of our storm and sanitary sewers, plus the building of a treatment plant. The overall sewer pollution abatement program for Kansas City, Kans., will amount to about \$40 million, but this is contemplated over about an 8-year period. I am sure if Senator Clark's bill was put into law, that our city could definitely take advantage and would be in a position to take advantage of the legislation if it was enacted.

At the present time it looks as though we will spend approximately \$7 or \$8 million in the next year. If we could obtain 45 percent assistance on this matter, I am sure it would be of great help to us. I personally feel it would step up the employment situation in Kansas City, Kans.

Kindest personal regards,

Sincerely yours,

PAUL F. MITCHUM, *Mayor.*

CITY OF LEAVENWORTH, KANS.,
March 22, 1961.

DEAR MR. HEALY: In reply to your March 10 letter regarding Senator Clark's bill, S. 986 (public works) we have the following comments:

(1) It does not appear that we could take advantage of this public works legislation if enacted—unless it would be possible under our new "home rule."

(2) I doubt if any additional public works could be initiated, over and above the work planned for the next year.

I trust this information is not too late for your use.

Sincerely,

J. F. MITCHELL,
Mayor of Leavenworth.

CITY OF SALINA, KANS.,
March 16, 1961.

GENTLEMEN: We have reviewed Senator Joseph S. Clark's proposed bill S. 986 which would provide grants to State and local agencies to defray the cost of capital improvements.

In your letter of March 10, 1961, you asked: (1) Whether our city could take advantage of the legislation, and (2) the additional amount of public works which could be put under construction over and above the amount planned for the next year.

The city of Salina does have a backlog of capital improvements that have been studied and defined with Public Law 702 funds. Other projects have been studied with our own funds. These projects include water, sewerage, and sewage treatment. The proposed 45-percent grants are naturally a decided incentive to increased construction by our city and as such if this bill were to become a law, we would reanalyze our capital improvement program and financial obligations to determine the feasibility of increasing our planned construction program.

To give you an indication of improvements that could be rather quickly planned and put under construction if 45-percent grants-in-aid were available, we list the following:

Improvement:	<i>Estimated cost</i>
Water mains (transmission)-----	\$180,000
Elevated storage reservoir (water)-----	115,000
Water treatment plant improvements-----	180,000
Storm sewer improvements-----	540,000
Total-----	1,015,000

I trust that this is the information that you desire.

Sincerely,

LELAND M. SRACK, *City Manager.*

CITY OF BOGALUSA, LA.,
March 16, 1961.

DEAR MR. HEALY: I have your letter of March 10 with respect to Senator Clark's bill, S. 986, aimed at helping local governments with public works to minimize the current recession.

You asked specifically, (1) could our community take advantage of the legislation and, (2) what additional amount of public works could be put under construction over and above the amount planned for the next year.

Within recent months we have let two contracts totaling \$2,060,000 for additions and improvements to our city's sewerage system. The contract provides we can add to, or delete therefrom up to 25 percent of the work.

We have on hand and commitments for approximately \$1,670,000. Thus you can see Senator Clark's legislation would enable us to accomplish all the work needed with respect to this particular improvement, provided the manner in which our contract was entered into would not bar it from eligibility. This of course, would depend on the manner in which the bill is drawn or amended.

With the hopes that we would be able to qualify, I would say that Senator Clark's legislation would be helpful both to our local governments and the economy of the United States as a whole and I will greatly appreciate it if you will keep me advised.

Sincerely yours,

CHARLES J. CASSIDY, *Mayor.*

CITY OF NEW ORLEANS, LA.,
March 14, 1961.

DEAR MR. HEALY: I have carefully read with great interest your letter of March 10, 1961, as well as the accompanying material regarding S. 986, introduced by Senator Joseph S. Clark, of Pennsylvania.

As I understand it, this bill seeks to assist States and their political subdivisions, through Federal grants, to accelerate their capital expenditure programs and thereby give impetus to President Kennedy's program of combating the existing unemployment problem.

In your letter of March 10 you pose two questions: (1) Whether our community could take advantage of the legislation and (2) the additional amount of public works which could be put under construction over and above the amount planned for the next year.

Replying to No. 1 our answer is definitely "Yes." In fact, not only would the proposed 45-percent Federal grants provide a substantial boost in our local economy, but it would enable us to advance the undertaking of many needed public works projects which have been planned for the immediate future, but deferred because of the insufficiency of our available capital funds.

Senator Clark's proposal strikes me as being just about the most effective and realistic means of alleviating some of our present economic ills, as has been thus far advanced. And not only that but it also impresses me as being part of the answer to the situation in which many communities find themselves as a result of preemption of the best tax sources by the Federal and State Governments. This bill would provide a means for local communities to receive the kind of financial aid so sorely needed if they are going to catch up with expanding needs.

There simply must be some means provided for meeting these important requirements without increases in the local tax burden. And it seems to me that this bill is a step in that direction.

As a preface to our answer to question No. 2, I should first explain that since 1955 we have been administering a 5-year capital improvement program. Each year we appropriate for expenditure in the ensuing year capital funds estimated to become available during that year, and we include for the remaining 4 years of the capital program those projects which need to be undertaken, but for which funds are not foreseen during the first year.

We propose to initiate within the remainder of 1961 capital improvement projects estimated to cost approximately \$9 million for which funds are available. These include police and fire stations, an incinerator, parks and playground improvements, street lighting, and street paving and subsurface drainage projects. This figure does not include projects being undertaken with Federal aid such as airport development and those receiving Hill-Burton assistance.

By simple arithmetic, Senator Clark's bill would enable us to undertake an additional \$4,050,000 of projects during this period. And these would be projects for which need has already been demonstrated and which have been included in our capital program for 1961-65. For example, in addition to the \$9 million figure cited above, our city council has approved the undertaking of capital projects estimated to cost approximately \$25 million during the next 5 years. This figure includes only those projects for which we could foresee the possibility of available funds during the 5-year period. By comparison, our needs for capital improvements during the same period were estimated at \$52 million, but more than 50 percent had to be deferred beyond the scope of our current 5-year program simply because we could not foresee funds becoming available during the period.

I strongly endorse Senator Clark's proposal and I am sending copies of this letter to our Members of Congress, urging their support of this realistic legislation.

In doing so, however, I hasten to add that for such legislation to have the effect for which it is intended, the administration should place an emergency identification upon it and strip any resulting program of much of the redtape which bogs down so many federally aided projects.

Thank you sincerely for bringing this subject to my attention.

Sincerely,

DELESSEPS S. MORRISON, *Mayor.*

CITY OF AKRON, OHIO,
March 27, 1961.

DEAR MR. HEALY: I have reviewed the general comments by the Senator and that portion of the bill you enclosed. I find the intent and his comments most interesting and appropriate to the current unemployment and needs situation, particularly in our city. As the Senator commented, we have available on our public works shelf projects ready for commitment. For your information I will enumerate them and follow with an inset series of comments:

PLANS AVAILABLE FOR IMMEDIATE CONSTRUCTION

Two million dollars in sanitary and storm sewers: These projects are of the trunk and local nature—in specific instances, a \$1,600,000 project would make available area for development wherein approximately 2,500 homes could be built and approximately 100 acres of commercial and industrial land could be used.

One million five hundred thousand dollars in highway construction: These highways are arterial in nature. This includes new local highways and/or improving, widening, resurfacing of existing highways. This is necessary to facilitate and meet the urban growth need.

One million dollars in normal highway upgrading by resurfacing and rebuilding. We could, within a 60-day period, have ready for commitment public buildings for police, health, and recreation.

The above listing is only partial for I believe you are interested in brevity and knowing that this city stands ready to assist in accomplishing those things that President Kennedy and Senator Clark jointly proposed. In my judgment such a public works program, aimed at increasing the value of municipalities, is an excellent approach and proper in consideration for relief of economic pressure we now find in the United States.

Yours very truly,

LEO BERG, *Mayor.*

CITY OF BANGOR, MAINE,
February 28, 1961.

DEAR MR. HEALY: With reference to your national legislative bulletin dated February 23 on public works acceleration, I have discussed briefly this morning with my staff the possible public works construction programs that the city might be in a position to undertake should this legislation be enacted.

Our planning and engineering departments indicate that we might be in a position to begin construction on about \$2½ million in sewer interceptor lines and sewage treatment plants and about half a million dollars worth of incinerator and highway construction, if this legislation were enacted.

It is very difficult to estimate the additional employment which might result but I think a conservative guess might be about 100 men, assuming these projects were carried out concurrently.

I hope this is the information you desire.

Sincerely,

JOE COUPAL, *City Manager.*

CITY OF SALISBURY, MD.,
March 14, 1961.

DEAR MR. HEALY: In answer to your letter of March 10, regarding Senator Clark's bill, S. 986, the city of Salisbury would not be in a position to take advantage of this legislation.

The proposed public works program for 1962 is more than we can handle because we are only \$400,000 from our maximum debt limit.

Sincerely yours,

BOYD E. McLERNON, *Mayor.*

CITY OF GRAND RAPIDS, MICH.,
March 23, 1961.

DEAR MR. HEALY: As stated in our letter to you of March 13, we are enclosing a listing of our public facilities project sheet now that it has been completed.

We hope this information will be of help to you in consideration of Senator Clark's bill, S. 986.

Sincerely,

STANLEY J. DAVIS, *Mayor.*

Public facilities project sheet

(NOTE.—Do not list facilities now under construction nor major highway or street projects. List all other public works projects planned for, contemplated, or desirable in the near future. Include cost of land where it must be purchased. Code: Please use the following code to help facilitate our processing: (A) Plans drawn, (B) in planning stage, (C) needed—but no plans for.)

Kind of project :	<i>Preliminary cost estimate</i>
Improvement to sewage treatment plant (B)-----	\$1,955,000
Water main from Lake Michigan to city (B)-----	8,000,000
Flood protection walls along Grand River (C)-----	1,700,000
Rebuilding of existing combined sewers and relief sewers (B)---	850,000
Storm water drainage sewers, existing system (C)-----	2,100,000
Storm water sewers in newly annexed areas (B)-----	7,160,000
Refuse disposal incinerator (C)-----	2,000,000
District maintenance garages and facilities (C)-----	300,000
Bridges and grade separations (C)-----	9,500,000
Main library extension (A)-----	2,000,000
Branch library construction (C)-----	300,000
Museum extension (A)-----	150,000
Civic auditorium extension (A)-----	2,000,000
Music hall and theater (B)-----	4,500,000
New fire station construction (A)-----	270,000
New fire station construction (B)-----	240,000
Public redevelopment—civic center (B)-----	11,000,000
Industrial redevelopment (C)-----	4,500,000
Industrial redevelopment (C)-----	2,300,000
Commercial redevelopment (C)-----	6,000,000
Residential rehabilitation (C)-----	16,000,000
Land acquisition for park area within city limits (300 acres)---	600,000
Stadium (B)-----	5,000,000
Municipal golf course (B)-----	375,000
Lighted sports arena, including indoor swimming pool (A)-----	370,000
Park-schools (A) and (B)-----	1,750,000
Riverfront development (A)-----	250,000
Development of park areas (A) and (B)-----	300,000
Day camp (c)-----	225,000
Intown land acquisition for parks-----	600,000
Expressway beautification in town-----	1,200,000
Sign shop (C)-----	75,000
Armory (B)-----	1,000,000
Two parking ramps (B)-----	1,800,000
Surface parking program (B)-----	1,000,000
Street-marking device (B)-----	12,000
Signal improvements (B)-----	100,000

CITY OF DETROIT, MICH.

March 20, 1961.

DEAR MR. HEALY: Detroit, like every other large city, not only is in great need of rebuilding its public works in many areas but has needs for new streets, alleys, sewer facilities, water facilities, etc. We are wholeheartedly in favor of the public works bill as proposed by Senator Joseph S. Clark, in which the Federal Government would provide 45 percent of the funds as grants. This is similar to the old PWA program which was so successful and for which many cities made use of in providing many of their needed facilities.

We have a big backlog here in Detroit of public works projects which could be started immediately if funds were made available. I am sure that we would have a much better chance of raising 55 percent of the funds locally than we would be of raising the full cost. Enclosed is a summary of the projects that the city of Detroit is ready to move ahead on.

Very truly yours,

GLENN C. RICHARDS,
Commissioner, Department of Public Works.

Summary, public works projects, February 1961

	Projects for immediate or near future start		Projects in long-range public works program
	Estimated cost	Estimated man-hours of labor	
Airport.....	\$1,045,000	\$105,000	
Civic center.....			\$3,162,000
Firefighting facilities.....	40,000	4,000	291,000
Flood control.....	10,000,000	613,000	
Hospital improvements.....	814,000	94,000	281,000
House of correction improvements.....	165,000	18,000	565,000
Highway, street, and alley improvements.....	43,449,000	7,324,000	421,149,000
Lighting system improvements and extension.....	9,940,000	1,520,000	15,023,000
Parking facilities.....			4,900,000
Parks and recreation.....	7,933,000	860,300	53,253,000
Public building.....	7,994,200	956,000	22,228,000
Public transportation system.....	3,100,000	310,000	
Rapid transit.....	133,369,460	20,000,000	
Sanitation.....	5,614,000	429,000	
Sewage treatment system.....	1,970,000	200,000	10,281,658
Sewers.....	15,612,000	1,664,200	60,279,000
Water supply system.....	8,846,539	915,000	
Zoo.....	383,047	40,200	846,000
Grand total.....	250,275,246	35,052,700	592,258,658

CITY OF FLINT, MICH.,
March 17, 1961.

GENTLEMEN: The city of Flint enthusiastically endorses Senator Joseph Clark's proposed legislation for public works acceleration, titled S. 986.

At the April 3 spring biennial election, the voters of this city will be asked to approve \$6,165,000 worth of bonds to finance various public improvement projects. Therefore, in answer to your specific questions concerning the Federal aid proposal:

1. We would be in a position to take advantage of the legislation immediately upon the sale of the proposed bond issue. Our estimate would be early or midsummer.

2. The listed schedule of Federal aid would add \$2,777,250 to our improvement program. This is important in view of the fact that the current local program was cut from a potential \$16 million program to \$6,165,000 through lack of sufficient local funds.

3. Flint currently is seriously hit with unemployment problems since the great bulk of its labor force is employed in the auto industry. We have a provision calling for 90 percent local labor to be employed on all our public works projects. The additional employment which could be provided through Federal grants would be of substantial assistance in carrying this community through its present unemployment troubles. We estimate between 350 to 375 additional jobs would be made available with the Federal funds alone.

We hope the American Municipal Association will join in support of Senator Clark's proposal.

Yours very truly,

ROBERT A. CARTER, *City Manager.*

MANKATO, MINN.,
March 20, 1961.

DEAR MR. HEALY: I personally do not feel that Minnesota is in any dire or immediate need of securing Federal aid for public works, or for that matter in any of the other fields mentioned. It is possible that the area of our iron range might be an exception. Here in Mankato, 24,000, we have built a sewage disposal plant costing more than \$1,800,000 without benefit of Federal aid. We purchased and paid for a fine municipal office building. We have built 30 miles of new streets, and we just completed two new fire stations, cost \$438,000, all without benefit of Federal aid. Therefore, the answers to the questions asked are as follows:

1. No.
2. None.

I am sorry I cannot support this bill but I feel, and have felt, for many years, that too much emphasis is placed on Federal aid.

Yours sincerely,

REX H. HILL, *Mayor.*

VILLAGE OF RICHFIELD, MINN.,
March 13, 1961.

DEAR MR. HEALY: In reference to your request for information in regard to Senator Joseph S. Clark's bill, S. 986, I would advise that this would have very little bearing on the community of Richfield.

We have already initiated a program for a \$7 million water system and at the present time would not probably take on any major public improvement program, and as the essence of this bill seems to indicate, it would have to be work above and beyond normal work.

Yours very truly,

I. R. KELDSEN, *Mayor.*

CITY OF ST. CLOUD, MINN.,
March 13, 1961.

DEAR SIR: After discussing the grant for public works bill with people here in St. Cloud, it is the consensus that our city would be in a position to take advantage of the legislation if enacted. Our city engineer has estimated that at least \$1 million additional public works could be put under contract for the next year and that direct employment would result for at least 100 people.

Sincerely yours,

THOMAS E. MEALEY, *Mayor.*

CITY OF SPRINGFIELD, Mo.,
March 20, 1961.

DEAR MR. HEALY: This is in reply to your letter of March 10, requesting comment on Senate bill 986, known as the Emergency Employment Acceleration Act of 1961.

We have reviewed this bill, and with respect to your questions will advise that:

1. Springfield could take advantage of this legislation.
2. It is possible that in the neighborhood of \$1 million of public works could be put under contract in the next 12-month period over and above the normal amount of construction work planned for the same period.

Sincerely,

DAVID C. SCOTT, *Mayor.*

CITY OF FREMONT, NEBR.,
March 14, 1961.

DEAR SIR: I have your letter of the 10th of March, for which I thank you. We do not believe that our community at the present time would be favorable to a form of PWA legislation, as proposed by Senator Joseph S. Clark, Senate bill 986. Despite some press to the contrary, it is still the feeling at this time in this area that capital expenditures should be financed as much as possible at State and local level.

We further realize there is a tremendous amount of thinking that the purpose of Government is to redistribute wealth and income from one area of the country to another. We are still of the opinion that governmental financing of economically distressed areas doesn't of itself solve the economic problems of a particularly distressed area. As heartless as it may seem, nevertheless, we still feel specifically when a mining area gives out, where a product is no longer generally required, that it isn't necessarily the Government's job to first provide for such areas or people. We read in the press where other areas of the United States are seeking people to work and are unable to get them because people in depressed areas expect the Government to finance or take care of them where they are. Thank you for asking for our position. We remain,

Yours very truly,

GEORGE E. SVOBODA, *Mayor.*

CITY OF NORFOLK, NEBR., *March 13, 1961.*

DEAR MR. HEALY: The city of Norfolk, Nebr., would be willing and able to take advantage of this legislation, if it were enacted. We have several projects that we have been delaying because of lack of enough funds. These projects involve improvement of major thoroughfares and included two bridges. The total expenditures would be approximately \$100,000. These projects would create construction season jobs for about 30 local employees.

Sincerely,

DONALD G. HYDE, *City Engineer.*

CITY OF RENO, NEV., *March 21, 1961.*

DEAR MR. HEALY: Mayor Bud Baker handed me your letter of March 10, requesting that I give you a reply. It is extremely difficult for us to come up with any accurate figures regarding this legislation on such short notice, however, the following is an extreme rough estimate as to what the answer might be to your questions. I hope these may be of assistance to you in making your summary of this question.

1. The community of Reno would undoubtedly take advantage of this legislation enacted. There are many public works projects that should be completed, however, due to limited financing and limited bonding powers of the city it is impossible for us to complete them at this time. If 45 percent of the cost were to be a Federal grant it would most certainly stimulate some of these very much needed projects in the particular line of bridges, sewer improvements, sewage treatment facilities, streets, and so forth.

2. It is extremely difficult to estimate the amount of such additional work, however, with the present bonding limits and availability of funds it is possible that the city of Reno could anticipate approximately \$1 million additional public works per year if this bill were passed.

3. The additional employment would be approximately 500 employees during the term of such a project.

Let me again say that the estimates are extremely rough and if the legislation passes we would certainly like more time to study the legislation and the public works projects so that we might give it more detailed accurate accounting for the answers to these questions. However, in the meantime, I hope these rough estimates will be of value to you in making a determination for Senator Clark.

Very truly yours,

JOE H. LATIMORE, *City Manager.*

CITY OF EAST ORANGE, N.J., *March 22, 1961.*

DEAR MR. HEALY: In answer to your letter of March 10 relative to Senate bill 986, I regret to inform you that because of our present workload our engineering department cannot undertake any additional construction programs within the foreseeable future. I certainly wholeheartedly endorse Senator Clark's bill S. 986 and wish it were possible for East Orange to take advantage of the 45-percent public work grants that it provides.

At the present time, we have considerable construction work in progress, and we are presently in the throes of providing engineering data and services in connection with the proposed East-West freeway known as Federal Highway Route I-280. This Federal highway will bisect the entire length of our city, and it is now proposed, and a bill is pending in our State legislature to have this Federal highway interchange at East Orange with the present Garden State Parkway which runs north and south through our entire State. This proposed legislation, which undoubtedly will be passed in the very near future has taxed and will continue to tax the facilities of our engineering department for the next 2 or 3 years.

Under the circumstances, I do not believe it would be advisable to participate in this public program at this time.

Very truly yours,

JAMES W. KELLY, Jr., *Mayor.*

CITY OF ALBUQUERQUE, N. MEX., *March 23, 1961.*

DEAR MR. HEALY: On March 10, 1961, you requested our reaction regarding Senate bill 986 introduced by Senator Joseph Clark, which would authorize 45-percent matching Federal grants as an incentive to State and local governments to accelerate capital improvement public works programs. You asked specifically (1) whether the city of Albuquerque is in a position to take advantage of such legislation and (2) what additional amount of public works could be put under construction if S. 986 were adopted.

In answer to your first question, the city of Albuquerque would be able to take advantage of such Federal matching grants. We have a backlog of needed public works improvements which considerably exceeds the amount of funds available for construction.

In answer to your second question, I am listing below a table indicating the amount of funds the city of Albuquerque now has available for public works improvements and the amount of Federal matching funds applicable on the basis of a matching 45-percent ratio. We would be able to use the entire \$6,003,236 of Federal money for needed public works improvements immediately.

Category	City of Albuquerque funds available	45-percent Federal matching grant
Arterial streets.....	\$1,060,000	\$477,000
Storm sewer.....	2,400,000	1,080,000
Sanitary sewer.....	3,082,525	1,387,136
Water facilities.....	5,934,000	2,670,300
Firefighting.....	316,000	142,200
Parks.....	548,000	246,600
Total.....	13,340,525	6,003,236

Very truly yours,

EDMUND L. ENGEL, *City Manager.*

CITY OF SCHENECTADY, N.Y.,
March 16, 1961.

DEAR MR. HEALY: In reference to your letter of March 10, which brings attention to Senator Clark's bill calling for an acceleration of public works, I am forwarding copies of your correspondence to Mr. John W. Eddy, chairman of the city planning commission and other interested department heads of the city of Schenectady.

Please be assured that the city of Schenectady is particularly interested in availing itself, if possible, of certain provisions of the proposed legislation.

I will keep you informed of our action and when a definite plan is devised, will forward it to you.

Sincerely yours,

MALCOLM E. ELLIS, *Mayor.*

CITY OF ROCKY MOUNT, N.C.,
March 1, 1961.

DEAR MR. HEALY: In reply to the inquiry of your February 23d National Legislative Bulletin, I believe this city would be in a position to take advantage of the legislation to accelerate public works if such legislation is enacted. An estimate as to how much additional public works activity can be started, of course, depends upon many things. I believe this city could put up to \$1 million worth of public works under contract within 1 year. This would be public works not planned for as it stands within this or the next fiscal year.

This work would be storm drainage and street improvement, as well as building construction. It would be hard to estimate the number of people who would be put to work on these proposed projects. It would seem to me that somewhere between 200 and 400 could find employment.

I am afraid this information is rather sketchy. Our planning department is relatively new, therefore, we have not developed a capital program. It is far enough developed, however, that we can make effective use of such legislation.

With best wishes.

Yours sincerely,

H. B. HINES, Jr., *City Manager.*

CITY OF BISMARCK, N. DAK.,
March 14, 1961.

DEAR MR. HEALY: Thank you for your letter of March 10, 1961.

From the national economy standpoint, I sometimes question the pump priming measures taken to lift the economy. There seems to be much confusion between economists as to those measures necessary to bring about recovery or accelerate it on behalf of providing stability to the national economy.

However, from the local standpoint of our own community there are many projects that not only could be, but would be accelerated if such 45-percent grants were available such as street widening, construction of public buildings, and many other worthwhile ventures. I can assure you that this community could utilize and constructively use funds as are intended as stated in the purposes of S. 986.

This community could program an additional \$200,000 of construction capital improvement projects if such Federal funds were available above the amount planned for next year.

Thank you again for your letter.

Sincerely yours,

TOM BAKER, *City Auditor.*

CITY OF LAKEWOOD, OHIO,
March 24, 1961.

DEAR MR. HEALY: In response to your letter of March 10, 1961, may I state that Senator Clark's bill, S. 986, would be of great value to Lakewood.

The availability of Federal funds at 45 percent of the total project cost could, in Lakewood, speed the building of a new sewage disposal plant presently estimated to cost \$4 million. Another area of possible activity is the extension of a breakwater to provide a greater area for the dumping of unburnable refuse. This project would probably cost some \$700,000 and provide a long-range improvement for our community.

These two programs are especially needed and could be put into effect in a short time and provide expanded employment in this area.

I am sure that other communities can make use of this bill similarly. The need for such a program is indeed apparent and would help solve problems other than employment. The bill should be supported and carried through with all possible speed.

Sincerely yours,

FRANK. P. CELESTE, *Mayor.*

CITY OF TOLEDO, OHIO,
March 17, 1961.

DEAR MR. HEALY: In reply to your letter of March 10, we plan to take advantage of the bill introduced by Senator Clark and will do everything in our power to make use of the grants for public improvements which are so sorely needed in our community.

Sincerely yours,

MICHAEL J. DAMAS, *Mayor.*

CITY OF EUGENE, OREG.,
March 3, 1961.

GENTLEMEN: This letter is in reply to your legislative bulletin dated February 23, 1961, requesting comment on Senator Clark's bill for public works acceleration programs to combat unemployment.

Please be advised that should such a measure become law, the city of Eugene, Oreg., is in a position where it could almost immediately accelerate its public works program to the extent of the funds available for which it could qualify. An offhand estimate would indicate a possible addition of public works in the neighborhood of \$300,000 could be accomplished in the fiscal year starting July 1, 1961. This would be almost equally divided between street improvement and sewer improvement projects. This expenditure would, of course, create additional employment; however, we are in no position to predict what this amount of employment would be.

Very truly yours,

HUGH MCKINLEY, *City Manager.*

CITY OF CHESTER, PA.,
March 17, 1961.

DEAR SENATOR CLARK: In accordance with your request at the public hearing in the city of Chester on March 2, we have prepared the following list of public works projects which could be started in the very near future if money is made available.

Streets and highways:

Street paving	\$75,000
Alley paving	45,000
Realignment of 2d St. (for heavy industrial traffic)—acquisition	100,000
Bridge at 6th St. (central bus district) (plus \$105,000 of county funds)	105,000
Total	<u>325,000</u>

Sewers:

Sanitary trunk for industrial area	250,000
Rebuilding combined sewer	100,000
23 St. sanitary	12,000
Highland Ave. sanitary	11,000
Hays St. sanitary	15,000
Total	<u>388,000</u>

Parks and playgrounds:

Memorial Park:	
Culvert	18,000
Tennis courts	18,000
Chester Park—renovation of barn	30,000
William Penn Memorial Park development	30,000
Enlarge existing playgrounds, develop added playgrounds	20,000
Total	<u>116,000</u>

Grand total 829,000

We appreciate your deep concern with the problem of employment and local finance, and we will be pleased to cooperate with you in supporting adoption of urgently needed legislation.

Sincerely yours,

JOSEPH LARKIN EYRE, *Mayor*.

CITY OF PITTSBURGH, PA.,

March 6, 1961.

DEAR MR. HEALY: In regard to your inquiries about Senator Clark's public works bill authorizing 45-percent grants to State and local governments, Mayor Barr testified in wholehearted favor of this proposal.

In answer to your specific questions:

1. Pittsburgh would be in a position to take advantage of legislation, if enacted.

2. We would probably add about one-half million dollars to our annual capital expenditure program.

Obviously, we have no way of telling how much additional employment would result from this additional expenditure.

Very truly yours,

ALDO COLAUTTI, *Executive Secretary*.

CITY OF ORANGEBURG, S.C.,

March 15, 1961.

DEAR MR. HEALY: I have reviewed Senator Clark's bill, S. 986, and am heartily in favor of its passage. If this legislation is passed I feel reasonably sure that in Orangeburg we can accomplish the following additional public works construction over and above that planned for the next year:

1. Waterworks: Extend and enlarge facilities to the extent of approximately \$1 million.

2. Increase sewage treatment plant capacity and extend trunklines at an estimated cost of \$350,000.

3. Construct substation for fire protection at an estimated cost of \$50,000.

4. Construct an airport administration building costing about \$50,000.

Thus you will see that with the grants proposed by the bill an acceleration in public works facility construction of about \$1½ million might reasonably be expected in this community.

Preliminary planning for a public works program in Orangeburg indicates that the above facilities are needed. Without grant assistance it appears that such a program must be deferred. So you can readily see that we are in favor of the passage of Senator Clark's bill and the acceleration in public works facility construction that will ensue.

Yours very truly,

S. CLYDE FAIR, *Mayor.*

CITY OF SPARTANBURG, S.C.,
March 14, 1961.

DEAR MR. HEALY: I have your letter of March 10, 1961, asking for my reaction to Senator Clark's bill, S. 986.

I am opposed to it. Our community would not be in a position to take advantage of this legislation if enacted, we could not contract for any additional public works beyond what is already planned, and no additional employment would result. Moreover, if our officials in Washington would concern themselves more with the solvency of our country, rather than with new ways of spending money, we would all be better off.

Cordially yours,

NEVILLE HOLCOMBE, *Mayor.*

CITY OF DALLAS, TEX.,
March 20, 1961.

DEAR MR. HEALY: I have your letter of March 10 re Senator Clark's bill and beg to advise as follows:

In answer to question 1, our city has no legal prohibition against participating in such a program and we would be financially able to participate.

In answer to question 2, we are just completing a \$50 million capital improvements program and will prepare a new one for the year beginning approximately January 1, 1962, and if grants-in-aid were authorized, we probably would add to the schedule approximately \$3 million above our normal amount. I do not believe I would know how to estimate how much this would increase local employment, but, of course, somewhat substantially.

Hoping this serves your purpose, I am,

Very sincerely,

R. L. THORNTON, *Mayor.*

CITY OF FORT WORTH, TEX.,
March 24, 1961.

DEAR MR. HEALY: In reply to your letter of March 10, which requested review of Senator Clark's bill, S. 986, the following information is supplied.

Whether the city of Fort Worth could take advantage of the legislation: Yes, the city of Fort Worth could legally take advantage of the grants proposed in the legislation on the same basis as grants which were made available during the 1930's. It is doubtful, however, that the city of Fort Worth would take advantage of grants for purposes other than highways, sewers, public housing, and airport construction.

The additional amount of public works which could be put under construction over and above the amount planned for the next year: Given local approval of Federal participation in scheduled projects for next year, the city of Fort Worth could probably increase spending on capital improvements from \$10 to \$15 million, or a \$5 million increase for streets, highways, freeways, storm sewers, sanitary sewers, libraries, street lighting and signalization, and water facility improvements.

I hope that this supplies you with the information you require. Please let me know if I can be of further assistance.

Very truly yours,

T. A. McCANN, *Mayor.*

CITY OF OGDEN, UTAH,
March 24, 1961.

DEAR MR. HEALY: It is my opinion that not only does Senator Clark's bill, S. 986, have merit but it is most needed. Aid to local governments has been neglected too long.

Ogden City is in need of the following public works that it is not able to finance alone.

Public safety buildings-----	\$1, 500, 000
Public streets-----	500, 000
Bridges-----	225, 000
Parks-----	700, 000
Water (covering reservoirs, etc.)-----	2, 350, 000
Garbage incinerator-----	1, 250, 000
Fire stations (four)-----	500, 000
Library addition and new branch-----	150, 000
Storm sewer-----	1, 500, 000
3 swimming pools-----	600, 000
Total-----	9, 275, 000

The above list is by no means a complete list of our needs. Our total needs in improvements, without any extravagant expenditures for such buildings as a civic center and civic auditorium, could run \$15 million.

If there is additional information needed, kindly advise.

Sincerely,

E. L. CARLSEN, *City Manager.*

CITY OF NEWPORT NEWS, VA.,
March 14, 1961.

DEAR MR. HEALY: Mayor Brittingham has handed me your letter with attachment of March 10, 1961, for reply.

Senator Clark's bill, S. 986, relative to authorizing 45 percent public works grants as an incentive to State and local governments to accelerate their capital expenditure programs is somewhat similar to numerous other legislative bills designed to encourage the construction of public works.

If the bill were passed, I feel certain this city would do its utmost to take advantage of its provisions.

We do not believe however that the bill proposed by Senator Clark is justified at this time, certainly within our area of Virginia in which the city of Newport News is located.

Very truly yours,

J. C. BIGGINS, *City Manager.*

CITY OF NORFOLK, VA.,
February 27, 1961.

GENTLEMEN: With reference to your bulletin of February 23 concerning S. 986, my answers to the questions which you ask would depend upon the interpretation of item 1 of section 4 of the proposed legislation. Assuming that the interpretation would be liberal, the answers are as follows:

1. Yes, we would be in position to take advantage of the legislation, if enacted.
2. Approximately \$6 million.
3. I am reliably informed that the type of capital improvement that we would undertake under an accelerated program would run about 60 percent labor and 40 percent material in the contractors' costs. Of course, there must be added to this the labor involved in producing and preparing the material, so I would estimate that the total additional employment would be in the neighborhood of \$4 million.

Sincerely yours,

T. F. MAXWELL, *City Manager.*

MORGANTOWN, W. VA.,
February 28, 1961.

HON. JENNINGS RANDOLPH,
U.S. Senator,
Washington, D.C.

DEAR JENNINGS: I have just completed the reading and study of Senate bill 986 introduced by Senator Clark for himself, you, and Senator Pell. The bill is captioned the "Emergency Employment Acceleration Act of 1961." I want to commend most heartily you and your Senate colleagues for this splendid legislative measure, to assist those areas of the United States which are in dire need of help to provide employment and capital improvements which are badly required and beyond the ability of the local governments to provide. My congratulations to you and Senators Clark and Pell for your initiative and willingness to present and urge adoption of a legislative act to assist so many unfortunate unemployed by providing methods for them to obtain employment and a livelihood for their families.

As you are aware, this area has been listed as a distress area for several years. This condition was brought about by the mechanization of the coal mines, loss of orders for coal, the closing of the Morgantown ordnance plant, discontinuance of small businesses and layoffs in the industrial and commercial firms remaining in business. The unemployment in this area, as determined from very reliable sources, is in excess of 19 percent of the working population. Under conditions such as this, it is impossible for the community to provide sufficient revenue from taxes to assist in reducing the unemployment. It is also impossible for the community to maintain its present governmental standard and entirely unthinkable to consider construction of those facilities which are required for the improvement of the city.

Legislation such as Senate bill 986 will not correct entirely the existing condition. It will go a long way in preventing further unrest than is now apparent. It will assist some of those who have been unemployed for many months to obtain employment, regain their self-respect, and provide for their families.

The conditions and thoughts of individuals today are reminiscent of the early 1930's. The unemployment of that period had advanced to a high percentage. People were having their homes and personal property taken from them due to the lack of income and inability to meet mortgage or loan payments. The local governments were unable to cope with the conditions and so many of those incidents which are happening today prevailed—stealing, robberies, suicides, and so many types of unlawful acts by all age groups. The Federal Government attempted to assist in solving the problems with CWA, FERA, and other make-work programs; these programs turned out to be more like payroll programs than work programs with the result of men leaning on shovels or doing work of no consequence while discontent with unrest continued to increase.

Senate bill 986 reminds me very much of the PWA program, which with WPA did so much to start conditions to stabilize. The work programs gave local communities capital improvements, provided an impetus to industries which in turn placed orders with coal mines and other suppliers of raw materials, and eventually brought order out of a chaotic economic condition in the United States.

The city of Morgantown participated in the PWA and WPA programs to the benefit of the city and its citizens. During the PWA program the city constructed a modern 100-ton garbage incinerator plant, a city garage, and purchased new trucks for the collection and disposal of garbage and rubbish. During the WPA program the city accomplished many types of construction projects which had a direct bearing on the progressive attitude and improvement of Morgantown and the surrounding areas. Among these projects were—

1. An airport with three paved and lighted landing strips—3,600-foot, 3,100-foot, and 3,000-foot lengths—with 692,180 cubic yards of excavation and 156,855 square yards of asphaltic concrete surface on rock base.
2. Paving of the 2-mile length of Richwood and Sabraton Avenues with tremendous retaining walls which extended as much as 62 feet below the roadway level; these streets now provide the main entrance to the center of the city from Maryland by way of West Virginia 7.
3. A total of 7.01 miles of additional street paving (a) 1.84 miles of reinforced concrete; (b) 5.17 miles of asphaltic concrete on rock base.
4. A total of 18.38 miles of main sewer lines ranging in size from 8- to 30-inch diameter with manholes, storm inlets, and other accessories.
5. The Deckers Creek floodwall.
6. Miles of retaining walls to support the street paving.
7. Many miles of sidewalks.
8. Improvement of 134 acres of park area with recreational facilities.
9. Numerous other construction items.

As city manager and city engineer of Morgantown at the time of the PWA and WPA programs, it was my feeling that only worthwhile and long-life projects should be undertaken by the city. It was also the thoughts of city councilmen and myself that the projects should be capital improvements for the city, and the city should participate to its maximum ability in financing the programs. At the conclusion of the city-WPA program, it was determined that the city had participated in the program to the extent of approximately 30 percent of the total costs of the various projects. The results and value of the programs are quite obvious today to all of the residents of and visitors to this area. It may be added that the city sponsored no projects where labor was not used to its utmost efficiency.

From the above information there is sufficient evidence that both the PWA and WPA programs were advantageous to the entire Nation, the city of Morgantown and so many persons in destitute circumstances. With the critical condition of unemployment in this area, the entire State of West Virginia, western Pennsylvania, and other areas of the United States a positive position should be taken immediately by the Federal Government to assist local governmental bodies to alleviate the unemployment problem.

There is little doubt but that a local capital improvement program will go as far as any other type of program in the abatement and correction of the unemployment problem. This type of program will also go a long way to aid those governmental units to correct local conditions which have resulted from the lack of proper financial support.

The city of Morgantown will be very pleased to take part in a capital improvement program to supplement its street, sidewalk, sewer, airport, recreational, and other fundamental requirements to improve the public welfare and health of the community and to assist in the curtailment of its unemployment problems.

It is trusted you will continue to give your utmost support toward the passage of this constructive legislation.

Respectfully,

ELMER W. PRINCE, *City Manager.*

CITY OF SUPERIOR, WIS.,

March 14, 1961.

DEAR MR. HEALY: Your legislative bulletin of February 23, 1961, with respect to public works acceleration and grants for public works is undoubtedly of urgent nature. Without reservations, we can say at the outset that the economic conditions in our area are such that grants as proposed in the bill would be of valuable and lasting nature.

The city of Superior is in the need of a great number of improved public facilities such as separating the sanitary and storm sewer system, improvement of public streets (specially in the residential areas where there are no curbs and gutters to say nothing of concrete or blacktop paving). Sidewalk repairs have been carried on in a modest manner, but could be doubled and tripled in the next 2 or 3 years to bring them up to a safe and suitable condition. Additional public parks could be developed, a municipal swimming pool could be established, and there is a definite need for a new city hall, centrally located, with both police and fire protection facilities combined in a structure. State legislation enacted in recent years is going to make it necessary for the city of Superior to build a new central high school to provide educational opportunities on the high school level for students residing in the rural areas of the city of Superior. Such a school with proper facilities has been estimated to require from \$4½ to \$6 million of financing. Insofar as the total cost for these additional public works, it would be difficult to estimate at this time, but I trust that you can see from the foregoing that it would be completely prohibitive for a city the size of Superior (34,000) to accomplish them through its own resources. If bill S. 986 should be enacted into law, the city administration of Superior would undoubtedly program work within its means to accomplish and accelerate much-needed facilities.

Thanking you for bringing this to our attention, we beg to remain,

Very truly yours,

LAWRENCE M. HAGEN, *Mayor.*

CITY OF RIVERTON, WYO.,

March 20, 1961.

DEAR MR. HEALY: In reply to your letter of March 10 regarding Senator Clark's bill, S. 986, in which you request my reaction to the bill's merits and ask whether this community could take advantage of the legislation, I regret that at this time there is no demand for other public works. We have exhausted all local available funds which might be used to match either State or Federal aid.

Within the past week we have filed on water rights at Brooks Lake in the Wind River Mountains, proposing to build a dam at that location to impound approximately 10,000 acre-feet of water. This project is a precautionary measure to guard our domestic water resources and construction of the dam is not contemplated this season. Just how this project will be financed has yet to be determined.

Other than this, there is no immediate prospect of any other municipal construction of public works.

Sincerely,

WILLA WALES CORBITT, *Mayor.*

ALABAMA LEAGUE OF MUNICIPALITIES,
 Montgomery, Ala., March 28, 1961.

DEAR MR. HEALY: We sent out a summary of Senator Clark's bill, S. 986, to our membership several days ago and we have had an amazing response to this subject. Municipal officials throughout the State have written us the passage of the Clark-Randolph bill would be a real incentive to them to make a special effort to put public works projects in operation at the earliest practical time. Many of these letters actually listed for our Senators the type and cost of projects that would get underway immediately upon passage of the legislation.

As a result of the remarkable response to our inquiry directed to the officials we have no reluctance in wholeheartedly endorsing the Clark-Randolph bill. As a matter of fact, we are having Senator Randolph as one of our convention speakers next week to discuss this subject further with our officials.

Cordially yours,

ED E. REID, *Executive Director.*

CITY OF BURBANK, CALIF., April 7, 1961.

DEAR MR. HEALY: The AMA has requested this city to supply data on needed public works programs which might fit the requirements of the proposed Emergency Employment Acceleration Act of 1961 and to express an opinion on the merit of the proposal.

We have found that the biggest drawback to the proposal is the time limits imposed—especially the 90-day limit for letting the contract. We have several projects which could be undertaken, but would require more than 90 days to complete the design and let the contract. These projects include a sewage treatment facility (\$850,000), two grade separations (\$1,500,000 each), and a mountain fire suppression road (\$450,000). Each of these projects would require 6 to 9 months for the completion of design plans.

Other projects which would require less time for completion of design include street widenings (\$240,000), and storm drain installations (\$275,000). Both of the above cost estimates include right-of-way acquisition.

As will be noted, we have many needed improvements, but unfortunately virtually no design work has been done or any of them. The additional design work required for the above extra projects would require a curtailment of design work on present projects to accommodate the additional load. This would mean that the normal amount of yearly work would be reduced, thereby offsetting somewhat the effectiveness of the extra projects. Moreover, at the present time we are finding it difficult to add additional competent engineering personnel to our permanent staff.

Actually the effectiveness of a large accelerated program such as is proposed is somewhat doubtful in our area. At the present time the construction industry in this area is operating at a relatively high level of employment due to the extensive freeway construction program and Los Angeles County's storm drain improvement program.

Major gains in the reduction of unemployment could probably be made more effectively in some area other than public works construction.

I do believe, however, that a gradual solution to the problem could be obtained through the increased use of existing programs such as Public Law 660 which provides for Federal aid to construct facilities to reduce public pollution problems, or through the acceleration of programs conducted by the Corps of Engineers such as construction of flood control facilities.

In the event the proposed legislation is enacted, this city would have approximately \$500,000 in additional construction work which could be put under contract within the specified time limits. No estimate of the additional employment is attempted.

Sincerely yours,

H. R. BENNETT, *City Manager.*

CITY OF HAYWARD, CALIF.,
 March 22, 1961.

GENTLEMEN: We have reviewed S. 986 introduced by Senator Joseph Clark to increase employment opportunities by making Federal funds available to local governments for increased public works expenditures. It is our belief that passage of this bill, together with a subsequent grant, would permit the city of Hayward to begin construction on two public works projects which would raise employment considerably above the current level.

Plans and specifications are available for a new corporation yard to house city equipment and maintenance facilities. The estimated cost is \$425,000, with only \$100,000 of this amount budgeted this year. Should additional funds be made available construction could begin within 90 days with a resultant increase in employment of 50 men for more than 4 months.

Also plans and specifications can be completed for the installation of a new sewer main to handle the waste flow generated by a local cannery. The cost of this project would be approximately \$100,000 and would employ 20 additional men for 3½ months.

In addition to the immediate increase in employment both projects would require purchase of materials from manufacturers in the Hayward area thereby indirectly stimulating local employment.

The city of Hayward urges favorable action on the Clark bill since it offers an immediate means of stimulating the economy through increased employment.

Very truly yours,

R. K. DETTENRIEDER, *Mayor.*

CITY OF LOS ANGELES, CALIF.,

April 19, 1961.

DEAR MR. HEALY: His Honor, Mayor Poulson, has requested me to furnish you with my reactions to the merits of Senator Clark's bill, S. 986, and specifically to answer the following questions:

1. Whether the city of Los Angeles could take advantage of the proposed legislation.

2. The additional amount of public works which could be put under construction over and above the amount planned for the next year.

The city of Los Angeles has for many years conducted its capital improvement program on a continuing 6-year basis wherein projects are scheduled over a 6-year period based on the average annual budgetary appropriations for this activity. Even though there are minor changes made each year to this list we have found this procedure works very well in scheduling the design effort of our bureau of engineering and the acquisition of necessary rights-of-way. Generally, we endeavor to finance design and right-of-way costs in one fiscal year and construction costs in the next year. We have found that this scheduling eliminates the dissipation of engineering design effort on projects that may never be financed for construction.

In 1960, at the request of the State department of public works, the city of Los Angeles made a study of anticipated street deficiencies projected from 1960 through 1980 and estimated this cost to be \$1,444,272,000. The immediate public works projects deficiencies for this city are estimated to be in excess of \$567 million. The average budgetary allocation for capital improvement projects for this city for the last 5 years has been approximately \$6,300,000.

We have endeavored to supplement this figure, through bond issues, but it is evident that, without additional financing through new taxes or increased State or Federal aid, we cannot maintain the desired level of elimination of deficiencies in our public works program.

I have requested the two bureaus of this department, engineering and public buildings, who are responsible for the design of capital improvement projects, to report on Senator Clark's bill. Both bureaus agreed on the merits of the bill; the bureau of engineering stated, in part:

"The city of Los Angeles is in the position to take advantage of this legislation if enacted, but the extent is contingent upon budgetary appropriations and increased revenues from sales tax over and above those conservatively estimated for fiscal year 1961-62. Even though no funds were made available from present sources, it is possible that additional revenue measures could be enacted considering the vital need to reduce unemployment and the fact that these funds would represent the city's 55-percent share of urgently needed projects, the remaining 45-percent share of which would be furnished by Federal grants.

"During the past 6 years, the annual expenditures for public works capital improvement projects (streets, sewers, storm drains and bridges only) have averaged about \$6,300,000 including right-of-way costs. It is currently estimated that only gas tax and permanent improvement funds will be available next year in the amount of about \$7 million. Therefore, if allocated properly, about \$700,000 of city moneys would be eligible for Federal grants. This amount would result in about \$1,275,000 of additional public works contracts. The city of Los Angeles could proceed immediately on this additional construction

program since plans are already complete for projects which require funds substantially in excess of \$1,275,000. An even greater amount of improvements could go to construction if needed additional city revenues could be obtained. Construction contracts in the amount of \$1,275,000 would result in about 15,000 man-days of direct labor."

The bureau of public buildings reports there are two street maintenance yards which are completely designed where construction contracts could be awarded as soon as financing became available. The total estimate for both yards is \$1,060,000. However, additional city revenues would be necessary.

If I can be of any further assistance to you in this matter, please let me know.

Very truly yours,

ARCH L. FIELD,
President, Board of Public Works.

CITY OF PALO ALTO, CALIF.,
March 27, 1961.

DEAR MR. HEALY: The city of Palo Alto would be in a position to take advantage of Senator Clark's bill S. 986, if enacted. The firm projects which could be activated would be—

1. New public safety building (\$600,000).
2. New corporation yard (\$750,000).
3. Improvements to the 1,000-acre Palo Alto Foothills Park property (\$500,000).

A potential project to be considered if an incentive plan were established would be a cultural center.

Sincerely,

JOHN BALL, *Mayor.*

CITY OF SAN FRANCISCO, CALIF.,
April 5, 1961.

DEAR MR. HEALY: Your letter of March 10, 1961, to Mayor George Christopher regarding proposed Senate bill 986 has been referred to me for reply.

I have reviewed this legislation proposed by Senator Joseph S. Clark as well as the speech he made in presenting this bill to the Senate.

I believe that San Francisco could and would take advantage of this legislation in the speedup of its capital improvement program.

The 1961-62 budget requests for capital improvement projects are now in the process of review and include requests totaling \$13,176,000 in the ad valorem tax budget.

Following the policy of the past several years, it is reasonable to assume that no more than \$4 million will be made available for this program, thus leaving about \$9 million worth of projects which will be deferred to subsequent budgets. I am reasonably certain that with the availability of a 45-percent Federal grant, the mayor and board of supervisors would appropriate the funds required to complete some of the projects included in the \$9 million total.

The major projects making this total include police stations, fire houses, health centers, hospital improvements, recreational facilities, and library improvements.

San Francisco voters approved the issuing of \$12,500,000 in bonds for sewer improvement construction in November 1960. Work on these projects could also be expedited and extended with the 45-percent Federal aid grant.

In addition to the above, such aid could probably be put to good use in public utility work including water supply projects and airport improvements.

Very truly yours,

SHERMAN P. DUCKEL,
Chief Administrative Officer.

CITY OF MIAMI, FLA.,
April 25, 1961.

DEAR MR. HEALY: In reply to your inquiry pertaining to Senator Clark's bill, S. 986, we are of the opinion that this would be good standby legislation for the Congress to pass in order for the President of the United States to have at his disposal.

The present economic recession that exists in southern Florida, I hope will be alleviated before the provisions of S. 986 would become a reality.

Thank you for bringing this to our attention.

Sincerely,

ROBERT KING HIGH, *Mayor.*

CITY OF ST. PETERSBURG, FLA.,
April 4, 1961.

GENTLEMEN: We are enclosing resolution adopted by the City Council of the City of St. Petersburg, Fla. on the 21st day of March 1961, urging Congress to adopt bill S. 986 which will provide certain Federal matching funds for capital improvements.

Yours very truly,

ANNA B. STOCKWELL,
Clerk of the City Council.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ST. PETERSBURG, FLA.

Whereas there is now pending in the Congress of the United States a proposed bill S. 986 which will provide certain Federal matching funds for capital improvement programs within municipalities; and

Whereas the city of St. Petersburg has developed a capital improvement program which far exceeds the resources of the city of St. Petersburg to accomplish; and

Whereas the enactment of the proposed bill will be of great assistance to the municipalities of this country including the city of St. Petersburg; Now, therefore, be it

Resolved by the City Council of the City of St. Petersburg, Fla., That we urge the Congress to adopt said bill S. 986; be it further

Resolved, That a copy of this resolution be forwarded to Senators Holland and Smathers and Congressman Cramer; be it further

Resolved, That a copy of this resolution be forwarded to the American Municipal Association.

CITY OF WEST PALM BEACH, FLA.,
March 27, 1961.

DEAR MR. HEALY: The City Commission of the City of West Palm Beach, Fla., has directed that I advise you of the city's concurrence with the proposed Senate bill 986, by Senator Joseph S. Clark and to advise you that we already have projects of a lasting capital investment nature which are in the design stage and which would qualify for the aid as proposed by Senate bill 986 and have other projects which could qualify as well. For example, the city commission has directed the preparation of a study and recommendations for what public building facilities the city of West Palm Beach needs, the area required for them, and a supplemental financial capital budget that would permit them.

We would estimate that, if Senate bill 986 was authorized, and our projects were qualified that these projects would add additional public works to our economies in the neighborhood of \$2 million and we estimate that this would provide direct employment for approximately 300 people and improve indirectly the supplemental services of other businesses and industry.

I hope this information will be of service to you. I might mention in closing that the types of structure we are contemplating include the following: (1) a new police station, jail, and civil defense headquarters; (2) a new city hall; (3) a new stadium in the park and we already have plans underway for a new auditorium and new library.

Sincerely,

FRANK LAWLER, *City Manager.*

CITY OF VALDOSTA, GA.,
April 6, 1961.

DEAR MR. HEALY: Please accept my apologies for the delay in replying to your letter of March 10 concerning Senator Clark's bill, S. 986, providing for public works grants to local governments.

Please be advised that the city of Valdosta could take advantage of such legislation and could schedule approximately \$1.5 million in public works construction over and above the amount which would otherwise be constructed.

This amount is the total that we could schedule during the next 2-year period.
I hope this is the information desired.

Very truly yours,

MAXWELL OLIVER, *Mayor*.

PHILO, ILL., *March 23, 1961.*

DEAR SIRs: In answer to your bulletin requesting information about possible benefits this community might derive from Senator Clark's 45 percent public works grants bill, we submit the following:

In the past several years we have considered drilling an additional municipal water well, and resurfacing Main Street, but have not undertaken these projects due to the cost involved. The estimated costs are approximately \$7,000 to \$10,000, and \$7,000, respectively.

I will bring this to the attention of the village board at their next meeting on April 5, and then write to you again, answering the specific questions in your bulletin.

Very truly yours,

ROBERT B. RICE, *Village Clerk*.

WESTERN SPRINGS, ILL., *April 6, 1961.*

GENTLEMEN: Recently we were informed by our State municipal league that there has been a bill introduced into Congress by Senator Clark designed to "increase employment opportunities" by authorizing 45 percent public works grants to States and local governments. The Illinois Municipal League bulletin requested us to write your office concerning our position on these matters:

1. As to whether or not Western Springs would be in position to take advantage of such legislation—the answer is "Yes." We have a number of pending projects which we know must be done and are in the stage of planning where work could proceed almost immediately.

2. At the present time the village would have somewhere in the neighborhood of \$250,000 to \$300,000 in public works construction to be done during this year. Other projects aggregating at least \$500,000 could readily be added providing funds were made available.

3. It would be difficult to estimate the additional employment that would result. A rough estimate would indicate that perhaps increased activity as a result of additional grant in aid might provide somewhere in the neighborhood of 100,000 man-hours of employment.

We hope that this letter will provide some of the answers to your questions and give you an indication of our response to this proposed legislation. This letter does not indicate that the village or the elected officials of the village would promote passage of this bill, but strictly from a practical viewpoint, if the legislation was passed the village would be in position to take advantage of it.

Sincerely yours,

RICHARD V. BROWN, *Village Manager*.

BATON ROUGE, LA., *April 3, 1961.*

DEAR MR. HEALEY: In answer to your letter of March 10, 1961, referring to the AMA national legislative bulletin on public works acceleration, dated February 23, 1961, this is to advise that—

1. Our community will be in a position to take advantage of this legislation if enacted.

2. We could accelerate over \$8 million of construction for which funds are available and with the incentive provided by 45 percent matching funds, we could expedite at least another \$5 million in needed construction.

3. This would result in employment for several thousand workers now unemployed in this community.

It would be appreciated if you would keep me advised as to the status of this bill.

Sincerely,

JOHN CHRISTIAN, *Mayor-President*.

BOSTON, MASS., *March 30, 1961.*

DEAR MR. HEALY: As you suggested, we have reviewed Senator Clark's statement and S. 986, and wish to advise that Boston could take advantage of the proposed legislation. The city of Boston could put in about \$440,000 of construction over and above the amount planned for next year.

Boston favors the proposed legislation.

Yours truly,

JAMES W. HALEY, *Commissioner of Public Works.*

ROCHESTER, MINN., *April 25, 1961.*

DEAR MR. HEALY: The public works committee of the city of Rochester, Minn., has reviewed the proposed public works bill, S. 986, and we feel that (1) we could take advantage of this legislation if enacted, (2) the additional amount of public works that could be put under construction next year above the amount otherwise planned, could be approximately \$500,000.

Incidentally, you might be interested in knowing that our city has advanced our public works projects by approximately 3 months in order to increase employment for our local people.

Sincerely yours,

ALEX P. SMEKTA, *Mayor.*

KANSAS CITY, MO., *April 19, 1961.*

DEAR MR. HEALY: Thank you very kindly for your thoughtfulness in sharing with me the contents of Senator Clark's bill, S. 986, and I have had the opportunity to review it and discuss our own particular construction program with our director of public works.

As regards my reaction to Senator Clark's bill I definitely feel it will provide the necessary stimulus; thinks of late are picking up in Kansas City, however, are still sufficiently recessed where I definitely feel that this proposed crash program as interpreted by Senator Clark's bill, will provide the necessary emergency measures to increase employment opportunities and give the boost to our economy that is necessary. Our city council has been taking some steps of their own in a much lesser degree, of course, whereby much of our construction that is proposed is being advanced and passed on the same day that it is introduced so a contract can be awarded, jobs started, men employed for that purpose. We are doing this invariably with every public works contract that is approved and ordinance submitted.

Our present capitol improvement program for the fiscal year 1961-62 shows a scheduling listed at the total of \$6,871,000, however, there are debit service available for next year of \$2,200,000, which means a project totaling \$4,671,000 will necessarily have to be deferred for future construction. So you can see naturally our community would be very willing to take advantage of this particular legislation.

Faithfully yours,

H. ROE BARTLE, *Mayor.*

SALEM, OREG., *April 5, 1961.*

DEAR MR. HEALY: Regarding Senator Clark's bill, S. 986, the city of Salem does have an annually revised 6-year capital improvement program. However, as in all such programs, the final amount of annual public works must be determined by financial ability. Consequently, or planning commission is continuously bringing additional needs to our attention which we cannot afford.

Therefore, I feel confident in saying that the city of Salem probably could afford to take advantage of this legislation by putting an additional \$100,000 (\$55,000 city, \$45,000 Federal) of public works under construction over and above the amount planned for the next year.

On the basis of past experience, I would estimate that \$40,000 of this would be used for direct labor purchases, or an additional employment of approximately 10 man-years.

Sincerely yours,

RUSSELL F. BONESTEELE, *Mayor.*

SPRINGFIELD, OREG., *March 27, 1961.*

DEAR MR. HEALY: This is in response to your letter of March 10 regarding Senator Clark's bill, S. 986. At this time we are not in a position to give you an

opinion as to whether we could take advantage of this legislation if it were passed. At the present time we have an urban renewal project in progress as well as a \$2 million sewer bond issue. These are about as much as we can handle at one time.

I think I can say it will always be our policy to take advantage of Federal legislation that will help our city if we find an appropriate occasion on which to use such assistance.

We will put this information in our "follow" file and call it to the attention of the council. If there should be some positive action on the part of the council, we will inform your office.

Sincerely yours,

B. J. ROGERS, *Mayor*.

ERIE, PA., April 11, 1961.

DEAR MR. HEALY: In answer to your letter of March 10, we have reviewed Senator Clerk's bill, S. 986, and statement, and below are listed our comments on the three questions you asked:

1. Our community would definitely be in a position to take advantage of the legislation if enacted.

The impact of fast-changing patterns in urban development has created a host of problems and projects that need immediate attention and yet cannot be fully undertaken at this time for lack of available funds. The backlog of public works projects accumulated during the war years and postwar demands would be alleviated by public works bill S. 986.

2. It is estimated that \$16.3 millions of additional public works money could be placed under contract over and above what our community had planned for the ensuing year.

The dire need of a city hall, construction of new highways to improve circulation in our central business district, and to tie in our Lake Port development with the industrial complex of the Pittsburgh area and the Interstate Highway System, would have high priority. A program of training courses would be extremely beneficial especially to the assembly line work force that is unemployed due to industrial plant relocation to another State.

3. One thousand one hundred additional employment would result from this program.

Sincerely yours,

ARTHUR J. GARDNER, *Mayor*.

PHILADELPHIA, PA., April 7, 1961.

DEAR MR. HEALY: This is in answer to your inquiry of February 23 about the public works bill introduced by Senator Clark.

We would be able to take some advantage of this bill in any case but, due to the normal lag of starting public works, we would be able to start a great many more projects if the time of completion required in the bill were lengthened from 12 to 18 months or 2 years.

A guess about the amount of additional public works we could undertake is difficult, particularly as we do not know at what time these grants would become available. Normally, the speed with which we undertake public works is guided by: (a) our ability to complete the project within a reasonable period of time, i.e., we want to make sure that projects are undertaken in logical order; (b) by the capital market for municipal bonds which may make it more advisable to float bonds at one time rather than another. Furthermore, we have, at President Kennedy's request, undertaken to speed up public projects to the fullest extent of our financial capacity. As this bill will greatly increase this capacity, we would be able to undertake more projects, but have to take into consideration the amount of heavy equipment and skilled labor available at any one time.

In terms of our financial capacity at this time, the 45-percent grant would permit us to add something like \$61 million worth of public works construction projects to those already planned. This figure, however, is in every respect a maximum; in most cases of larger projects it will be impossible to start them within a very short period of time, and it may even be too short a period to figure on a lag of 6 months between the time we start planning and the time we let the contract. Secondly, at the moment we know that construction firms are very far from working at capacity. By the time the bill goes through and the lagtime just mentioned is added, this situation might be different, in which

case it would be hard to get contractors to start work on public projects right away.

On the other hand, if at that time contractors work closer to full capacity, the need for the remedies of this bill would be decreased to the same extent.

In other words, it is impossible for me to say whether the \$60 million figure should be cut in half or cut to one-third to be realistic. If it were cut in half, we would request less than \$10 million in Federal grant money.

As to additional employment, such a figure is of course subject to the same qualifications. The maximum addition would be approximately 10,000 jobs, or its equivalent in additional man-hours.

I hope that this answer helps you in your very useful endeavors to support Senator Clark's bill.

Sincerely yours,

WILLIAM L. RAFSKY,
Development Coordinator.

CHATTANOOGA, TENN., *March 22, 1961.*

DEAR MR. HEALY: In reply to your letter of March 10, we certainly feel that Senator Clark's bill, S. 986, has considerably merit. Municipalities of this Nation are finding themselves with more and more capital improvements to make each year with less means of revenue.

If such a bill was passed, we believe that we could increase our public works program by \$1½ million during this coming year. We certainly would encourage the American Municipal Association to support this bill.

Very truly yours,

P. R. OLGIATI, *Mayor.*

PORTSMOUTH, VA., *March 27, 1961.*

DEAR MR. HEALY: In answer to your letter addressed to Mr. B. W. Baker, mayor of the city of Portsmouth, Va., which has been referred to me, please be advised that the city of Portsmouth is most interested in Senator Clark's bill, S. 986, as it could be very helpful to our city on pending public works projects that are being held in abeyance due to the lack of funds.

The city of Portsmouth will definitely be in a position to take advantage of this legislation and we could do approximately \$1 to \$2 million worth of construction. I would estimate the additional employment to be between 75 and 100 persons.

Very truly yours,

A. P. JOHNSON, Jr., *City Manager.*

RICHMOND, VA., *March 27, 1961.*

GENTLEMEN: We have received your bulletin of February 23, concerning Senator Clark's legislation to increase employment opportunities.

The city of Richmond budgets its public improvement on an annual basis beginning with July 1 of each year. The size of this budget varies from year to year depending on the priority of need and the availability of funds. We are presently in the process of executing many of the projects already budgeted. We are also in the process of preparing our budget for the coming fiscal year of 1961-62.

Based on our interpretation of the proposed legislation, it appears that Richmond may be able to qualify for Federal aid for public works acceleration (\$1 million), however, we do not have plans ready nor will city funds be available until after July 1, 1961.

Sincerely,

HORACE H. EDWARDS, *City Manager.*

BREMERTON, WASH., *April 6, 1961.*

DEAR MR. HEALY: Thank you for your letter of March 10 enclosing S. 986 by Senator Clark. This bill would certainly be a help to the local communities.

Bremerton is in need of many public works projects that are left undone as we do not have the money for public outlay. It would help us in our planned street repair program, improving and widening streets that should and need to be done, and our public works program as a whole. Our Front Street dock must

be torn down, but working under limited funds we can accomplish just the very essentials.

Very truly yours,

H. O. DOMSTAD, *Mayor*.

SEATTLE, WASH., *March 28, 1961.*

DEAR MR. HEALY: In answer to your letter of March 10 there is common agreement in our board of public works that bill S. 986, if passed, would assist in stimulating our community's public works program.

Approximately \$11 million of public works could be placed under contract during the next year if the Federal grants contemplated by the bill were made available.

Sincerely yours,

GORDON S. CLINTON, *Mayor*.

TOWN OF EVANSTON, WYO.,
March 27, 1961.

DEAR SIR: In answer to your letter concerning Senator Clark's bill S. 986. After having read it I am wholeheartedly in favor of it and I think the bill, if enacted soon, would help the country very much. We need such a stimulus as this, now, and also for the future.

Yes, I believe we would be in a position to consider the possibility of taking advantage of the help given to us by legislation such as this on several projects, such as the following:

1. Remodel or new police department building.

Answer. Approximately \$10,000.

2. Rejuvenate city street lighting system.

Answer. No estimate.

3. City water intake system.

Answer. Approximately \$600,000.

4. New sewage stabilization ponds.

Answer. Approximately \$60,000.

5. Cemetery revitalization.

Answer. Approximately \$15,000.

6. Recreation program buildings.

Answer. Approximately \$20,000.

The additional employment would vary with whatever projects we would undertake, but an approximate estimate would be, say, 10 additional men for a year's time.

Sincerely yours,

HAROLD F. RAYBOURN, *Mayor*.

APRIL 21, 1961.

The PRESIDENT,
The White House,
Washington, D.C.

MR. PRESIDENT: Because of continuing high level unemployment and the prospect that the recovery will not substantially reduce it in the immediate future, I urge your support for the enactment of legislation which would rapidly accelerate public construction at all governmental levels.

As the enclosed statement indicates, we believe it is now urgent to enact three kinds of measures to encourage the rapid increase in public works of permanent value:

The first would immediately spur State and local short duration projects—for which planning is now completed and the work is ready to go—through a Federal grant program of the kind proposed by Senator Clark in S. 986.

The second would help our most hard-pressed States and localities raise their matching funds by providing interest-free Federal public facility loans during periods of abnormal unemployment.

The third would give the President discretionary power to speedup Federal and federally assisted public construction during periods of economic slowdown, by authorizing him to transfer unobligated balances of appropriations from one executive department or agency to another, as he may deem to be necessary.

It is our view that passage of this kind of legislation is now urgent. It will help stimulate the employment and economic growth we so much need. Moreover, as permanent public works legislation it will give the President an important economic tool—as a supplement to the monetary and fiscal powers now available—for future discretionary use for countercyclical purposes.

It is our hope, Mr. President, that in addition to supporting the above program you will also continue to give consideration to our other proposals to alleviate continuing serious unemployment problems. These include a temporary income tax reduction, a more vigorous effort to reduce interest rates generally, a maximum 4½-percent rate on federally guaranteed home mortgages to be achieved by direct Federal loans if necessary, and other measures.

At this time of reappraisal of the immediate and longer run economic outlook, we feel that action to accelerate public construction—as well as our other proposals—merits most serious consideration.

Respectfully,

GEORGE MEANY,
President, AFL-CIO.

STIMULATING RECOVERY AND ECONOMIC GROWTH THROUGH ACCELERATED PUBLIC CONSTRUCTION

As long ago as last January the executive council of the AFL-CIO urged the immediate speed-up of public construction to help counteract unemployment and business stagnation. Because the need continues, we make this plea once again.

In February, at a subsequent meeting of the executive council, we applauded the statement in President Kennedy's economic message that Federal construction would be accelerated and that the States and localities would be encouraged to do likewise. At that time, we again urged immediate congressional action to insure the mounting of a rapidly expanding public works effort, particularly at the State and local levels.

Unfortunately, despite the fact that the unemployment rate continues to remain at an intolerable level, the Congress has not acted. Furthermore, the prospect for an adequate increase in public works outlays is not reassuring.

For years it has been evident that Federal power to stimulate recovery solely through the use of monetary and fiscal measures is not enough. An effective national economic stabilization program must also include standby power to quickly stimulate public construction during a period of business stagnation or inadequate economic growth.

In seeming recognition of this need, the Congress has taken several forward steps. But they have never been sufficient to adequately accelerate public construction when the need has been most urgent.

I. FEDERAL GRANTS FOR STATE AND LOCAL PUBLIC WORKS

In the first place, the Congress has already provided Federal funds to encourage advanced public works planning by the States and localities and a substantial shelf of projects is now in readiness. However, Congress has failed to take the next logical step—the enactment of legislation to help our hard-pressed State and local governments finance the construction of these standby projects at a time when action is most urgently needed.

According to a recent survey of the U.S. census, there are nearly \$22 billion worth of State and local construction projects on which all advanced planning will have been completed during the 18-month period between July 1960 and December 1961. Plans for \$7½ billion of such projects were completed during the last half of 1960; planning of a like amount is being completed during the first 6 months of this year; nearly \$7 billion of additional project plans will be completed by the last half of 1961.

It is noteworthy that about 60 percent of the value of these projects have been planned or are being planned by local governments. Furthermore, many are of a type on which construction can be completed within 1 year. Although some of these projects are already underway, it is evident that a tremendous backlog of additional projects of permanent worth are now ready to go and many more soon will be in a state of readiness.

If Federal financial aid could be obtained, scores of State and local governments would quickly seize the opportunity to increase their public works construction. This is particularly true of local governments, many of which—although already heavily committed financially—desperately desire to initiate additional sewerage, water and drainage projects, street and sidewalk improvements, fire and police station construction, railroad overpasses, and other capital improvements for which plans are already completed.

According to a sample survey just completed by the American Municipal Association, 75 percent of our cities and other local governments would immediately undertake hundreds of million of dollars worth of additional short-run construction projects if a reasonable amount of Federal financial aid could be provided.

Unfortunately, even during our fourth post-World War II recession no authority for such Federal aid exists. Surely, now is the time to act, not only to meet the present need, but also to provide standby power to meet emergencies which will arise again in the future. Toward this end, the AFL-CIO urges the immediate passage of legislation which would—

1. Provide at least \$1 billion to be used for Federal grants-in-aid to the States and their subdivisions for permanent and essential public works construction during periods of substantial unemployment.

2. Provide these grants only on the condition that they bring about a net increase in the level of capital improvement expenditures, and are not substituted for funds that otherwise would be provided locally. These grants should not be available for projects for which Federal money is provided by other acts of Congress.

3. Give priority to projects on which construction can be let within 90 days and which can be completed within 1 year thereafter.

4. Provide for the termination of new grants after the unemployment rate has returned to a tolerable level.

5. Provide Presidential authority for a resumption of the grant program on the recurrence of a business downturn. A standby fund should be made available to the President for this purpose.

An emergency Federal grant-in-aid program to help accelerate construction at the local level during periods of economic stagnation will be particularly effective because many local projects can be quickly started and completed and their initiation will aid the unemployed at places where the jobless are most numerous.

II. INCREASING THE AVAILABILITY OF STATE AND LOCAL PUBLIC FACILITY LOANS

Under the previous acts of Congress, the States and their subdivisions have been assisted in obtaining long-term, low-interest community facility loans when financial assistance has not otherwise been available on equally favorable terms and conditions. This form of Federal aid has substantially helped to encourage the building of essential public facilities.

Federal funds available for community facility loans should now be increased, their duration extended and their cost reduced to the lowest feasible level. In new legislation, a particular effort should be made to underpin the borrowing ability of our most hard-pressed local governments during periods of excessive unemployment—perhaps by granting interest-free loans—so that they, too, may obtain Federal matching grants and thus accelerate their public works programing.

III. SPEEDING-UP FEDERAL AND FEDERALLY ASSISTED PUBLIC PROJECTS

In addition to enacting Federal legislation to help accelerate State and local public construction during periods of economic slowdown, the President also should be given discretionary power to substantially accelerate Federal and federally assisted public projects already authorized by law.

To accomplish this purpose, legislation should be enacted which will allow the President to transfer up to \$2 billion from the unobligated balances of appropriations already made to certain executive departments and agencies to such other departments and agencies as he may deem necessary, during periods of extreme unemployment.

The AFL-CIO is encouraged by the fact that several bills have already been introduced which incorporate various of the proposals listed above and are receiving widespread attention and support. This is particularly true of S. 986, introduced by Senator Clark of Pennsylvania, and S. 726 introduced by Senator Kefauver, of Tennessee.

Today, America suffers from vast unmet public facility needs. At the same time, there are hundreds of thousands of idle workers who should now be engaged in public construction and in producing the steel, cement and other materials required for these projects. This Nation can no longer afford to tolerate the needless human want, the wasted skills, and the ignored social needs which continued failure to utilize public works acceleration as a countercyclical tool perpetuates.

Surely, now is the time to enact legislation not only to meet the present need to quickly stimulate employment and economic growth through public works expansion, but also to make sure that the Federal Government will have standby power to accelerate public construction in the future whenever unemployment and stagnation again overtake the economy.

The fiscal and monetary measures through which the Federal Government now can exert some countercyclical control over the direction of the American

economy can be made far more effective if used in conjunction with public works acceleration measures.

It is our view that the time has arrived when the denial of this important additional tool to the President and to the Nation's welfare no longer can be tolerated.

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
May 23, 1961.

Hon. JOSEPH S. CLARK,
U.S. Senate, Washington, D.C.

DEAR JOE: Thank you for notifying me of the hearings you have now held on S. 986, the Emergency Employment Acceleration Act of 1961. I wish to inform you that I am now obtaining information from Alaska concerning projects which could be constructed under provisions of the bill. When this material is available, I should like to have it inserted in the record of the hearings on S. 986. I hope this will be available shortly, and I shall forward it to you as soon as possible.

Meanwhile, I am enclosing a copy of a telegram from Gov. William A. Egan of Alaska supporting S. 986, and recommending certain changes in the bill which would make it more useful to Alaska. I call your attention to Governor Egan's suggestions that: (a) harbor facilities be included among public works projects for which grants would be available, and (b) the comment that requirements that construction contracts be let within 90 days and that construction of a project be completed within 12 months represent unrealistically brief periods of time for compliance under conditions prevailing in Alaska.

I should like to request that Governor Egan's telegram be inserted in the record of hearings held on S. 986.

With best wishes,
Sincerely,

ERNEST GRUENING, U.S. Senator.

JUNEAU, ALASKA, May 23, 1961.

GEORGE SUNDBORG,
Administrative Assistant to Senator Ernest Gruening,
Senate Office Building, Washington, D.C.:

Reply your telegram concerning S. 986, I believe S. 986 to provide grants to State and local government to finance public works projects will have beneficial effect in Alaska where substantial unemployment now exists. To make proposal more suitable for Alaska, suggest following changes: Include harbor facilities in section 3(2), page 3. Ninety day provision for completing plans, advertising and contract awards (p. 5, line 3(A)) unrealistic—greater time necessary in Alaska. Twelve-month limit on project completion (p. 5, line 5(B)) impractical in Alaska where provision should be made for winter closure or slowdown, particularly on outdoor jobs. Otherwise favor proposed legislation.

WILLIAM A. EGAN, Governor.

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
June 16, 1961.

Hon. JOSEPH S. CLARK,
U.S. Senate,
Washington, D.C.

DEAR JOE: As I am a cosponsor of the bill you introduced, S. 986, to accelerate employment, I am hopeful we will obtain early action on this important legislation.

As I have informed you, the enactment of this bill would be very helpful for the State of Alaska where there is most distressing unemployment.

In support of the enactment of this legislation, I am enclosing communications I have received from various cities in Alaska listing projects which could be constructed if this legislation is passed.

Please keep me informed as to any action I may be able to take which will be useful in obtaining speedy approval of this bill.

With best wishes,
Sincerely yours,

ERNEST GRUENING,
U.S. Senator.

Enclosures.

PELICAN, ALASKA, *May 31, 1961.*

HON. ERNEST GRUENING,
Senate Office Building,
Washington, D.C.

Re S. 986, 20,000 square feet of dock approach urgently needed here if city is to survive. Approximate cost, \$100,000. Letter following.

OSCAR HAYNES.

CITY OF KENAI, ALASKA,
June 2, 1961.

Senator ERNEST GRUENING,
U.S. Senate, Washington, D.C.

DEAR SENATOR GRUENING: Thank you for your letter of May 24, 1961, regarding Senate bill 986, and your request that Kenai express its need for public works.

The projects that would meet the standards of bill S. 986 are—

- Sewerage system.
- Water supply and distribution.
- Connecting bridge over Kenai River.
- City jail facility.
- Electric power generation and distribution.
- Natural gas supply and distribution.
- Increased school facility.
- Additional fire protection.
- Hospital.
- Additional library facility.
- Public police and municipal offices.

It would be impossible to attempt all these projects concomitantly, so in further clarification of Kenai's present position I would like to inform you that the following studies are being made:

(1) An electrical power study involving an appraisal of present facilities and a proposal for new generation and distribution facilities for the Kenai area.

(2) An application for the Home and Housing Finance Agency's advanced loan for sewerage and water system (which could feasibly incorporate a gas supply and distribution facility).

(3) A planning program under the auspices of the Alaska Housing Authority, which includes a comprehensive zoning ordinance; this planning would dovetail with the Home and Housing Agency program.

These undertakings are covered in the current budget in the following amounts:

Electrical power study (no figures yet available for actual construction)-----	\$5,800
Alaska Housing Authority (matching funds)-----	4,100
Home and Housing Finance Agency:	
Federal advance for sewerage system-----	40,525
Total estimated cost of system-----	622,000
Federal advance for water system-----	20,056
Total estimated cost of system-----	425,000

Of course the community will have to raise financing either by general obligation bonds or revenue bonds in order to carry out the aims of these projects. If bill S. 986 becomes a law, Kenai would definitely wish to bond the equivalent of the 55 percent of the total cost of the projects as it would have to negotiate financing for the cost of the above items.

As city clerk of Kenai, I would hesitate to estimate the costs of the first public projects I have mentioned, as studies would have to be initiated to determine; e.g., what size hospital would fit the needs of the present and offer some solution for future needs? Inquiries have been directed to the district engineer concerning a bridge to connect Kenai's two parts, and a preliminary study would be required to arrive at any realistic expenditure. The jail facility would probably involve \$60,000 minimum and \$80,000 maximum and if offices were to be constructed along with the jail those figures would have to be revised. The present fire protection is not adequate for the "growth area" as the equipment is antiquated and could well be completely replaced. Here again a "guesstimate" would prove to have little accuracy. Our little library under the good guiding hand of Mrs. Allen Peterson could well be augmented, in fact, a small program is now being considered, but funds which have been tenaciously held for this purpose will not cover any elaborate plans.

I hope I have not been too verbose in relating these items to you, it is difficult to place a finger on the "one" or even "several" critical needs of a city that suffers now from the proverbial "growing" pains.

Should you desire any further facts or information regarding these projects, I would consider it a privilege if you would call upon me to supply them.

Good luck in your work on S. 986, Kenai will follow its progress with interest.

Sincerely,

JOHN P. GUNNISON, *City Clerk.*

CITY OF CORDOVA, ALASKA, June 2, 1961.

Senator ERNEST GRUENING,
U.S. Senate, Washington, D.C.

DEAR SENATOR GRUENING: This is in reply to your letter of May 24, regarding S. 986.

Cordova is in urgent need of assistance in the several projects listed below. As our gross tax base amount to some \$6 million you can see where the size of the necessary improvements makes it impossible for us to carry the load without help.

The city was built about 1908 and all or nearly all sewers were constructed of wooden boxes, untreated. Also a great number were discharged into open drainage near the city which has since grown to surround these drains. Now our sewers are disintegrating at a rate to keep us in financial difficulties just to keep them operable. We have in the past 3 years put in a part of a system, but the overall problem still confronts us. The estimated cost of a new sewer system is \$650,000. This would replace some now served by wooden boxes and also includes portions now using cesspools. This work has had a rough preliminary survey and an engineer is presently available. The work could commence in about 60 days.

The water system is in almost as poor condition as the sewer, having been built at the same time of wooden-stave pipe. The renewal and rehabilitation of this facility has been authorized and can be started in about 30 days. The cost, \$525,000.

No streets in Cordova are paved, however, the State highway department has included the paving and realignment of First Street to the ocean dock in their present schedule, as this is part of the highway system. We would like to pave Second Street and renew badly deteriorated wooden bulkheads, to cut the cost of maintenance. Every summer we haul in gravel and every winter it is plowed off with the snow, which is a never-ending expense. This project could be started in about 60 days and would be an adjunct to the water and sewer rehabilitation, as each would affect the other. Cost, \$350,000.

One point of urgency is that the highway work is scheduled to start this summer, we understand, and the city must stand the cost of getting all underground utilities along and across this project before it is completed.

We have increased our electric generating capacity (owned by the city) to a point where we can sell extra current. Our main untapped customer is the FAA and weather station at the mile 13 airport. However, the burden of a sufficient transmission line to serve these Government agencies is beyond our present budget. This project can be let immediately and is extremely essential both to the affected agencies and to the utility. The cost, \$160,000.

We have tried to take care of these matters locally and at present have a planning commission who are trying to come up with a local improvement proposition we can finance, but as you can see from this, the cost of the projects exceeds our bonding capacity by almost double.

The solution offered in S. 986 would, I believe, give us the necessary assistance to make our town safe from pollution of water and open sewers.

Trusting you will do all in your power to promote this legislation and assist us in participating, I remain.

Sincerely yours,

LOUIS D. BANTA, *Mayor.*

KETCHIKAN,
ALL AMERICA CITY 1957,
Ketchikan, Alaska, June 2, 1961.

Hon. ERNEST GRUENING,
U.S. Senate, Washington, D.C.

DEAR SENATOR GRUENING: I appreciate receiving your letter of May 24, enclosing a copy of S. 986, Emergency Employment Acceleration Act of 1961.

There are a number of public works projects needed by this community which would be eligible under the terms of S. 986; projects which the city through only its financing could not undertake for years to come.

The following is a list of these projects, together with estimated cost of construction:

1. Public library and safety building	\$350,000
2. Fire station and equipment	160,000
3. Water system improvements	175,000
4. Sanitary sewer system improvements	250,000
5. Street improvements (50-A-308)	480,000
6. Street improvements (50-A-134)	380,000
7. Electric utility (Lake Whitman)	1,400,000
8. Shop and warehouse	315,000
9. Water system improvements	215,000
10. Parking facilities	750,000

The foregoing estimates are based on preliminary engineering. Construction plans and drawings could be completed in a relatively short time for these projects. The electric utility project and one water project are the only projects for which construction plans are now being prepared.

The Ketchikan Independent School District, which embraces the city, advises that there is a need for one elementary school building and one junior high school building. These two buildings will cost in excess of \$2 million.

The apparent intent of S. 986 is to assist in financing public works, thereby accelerating employment, and to be an effective instrument in this regard projects would have to let to construction contract upon relatively short notice. I can foresee a problem for cities to arrange their share of the financing within such a short period. In most cases bond issues would be required. The time required to prepare for and call an election for bond authority and to issue and sell the bonds may very well entail delays which would defeat the intent of the bill—to accelerate employment. It is suggested that consideration be given to a loan provision in the bill similar to the provisions contained in the Alaska Public Works Act which recently expired.

The city appreciates the opportunity to comment on S. 986 and to list needed public works in this community.

Sincerely yours,

R. M. HARDCASTLE, Mayor.

CITY OF KING COVE, ALASKA, June 6, 1961.

Mr. ERNEST GRUENING,
Washington, D.C.

DEAR SENATOR GRUENING: Your letter of May 24 received today regarding bill S. 986. I sincerely hope this bill will be enacted at this session of Congress.

I am enclosing a list of projects for the city of King Cove which we are greatly in need of.

Thank you very much for your interest in our needs.

With best wishes, I am,

Yours very truly,

JOHN GOULD, Mayor.

Schools	\$234,000
Public streets and sidewalks	12,800
Water facilities and sewage	87,000
Fire protection	39,000
Street-light facilities	6,700
Jailhouse, public police	18,700
Public refuse and garbage disposal	8,600

ALABAMA LEAGUE OF MUNICIPALITIES,
Montgomery, Ala., June 22, 1961.

Mr. SAMUEL V. MERRICK,
Subcommittee on Employment and Manpower,
Committee on Labor and Welfare,
Washington, D.C.

DEAR MR. MORRICK: I regret very much that my schedule here with the State legislature was so heavy that I failed to make it to your committee hearing on

S. 986. I wanted so much to be there and plump for the bill. We need it very much in our State, as you will note from photostats of letters we have received from so many of our mayors and other municipal officials since we sent them a summary of the bill some weeks ago.

I send copies of the letters, thinking perhaps you would like to include them in your committee record. Since these messages were sent, in most instances, to Senators Lister Hill and John Sparkman, you may wish to ask them if they would like these messages included in the hearing record.

If we can be further helpful in connection with S. 986, do not hesitate to call upon us.

With all good wishes to you, I am,
Cordially yours,

ED E. REID, *Executive Director.*

CITY OF GUNTERSVILLE, March 5, 1961.

Mr. ED E. REID,
Executive Director, the Alabama League of Municipalities,
Montgomery, Ala.

DEAR SIR: The members of the board of commissioners of this city are very much concerned over Senator Joseph S. Clark's plan to increase employment opportunities. We are in dire need of improvements which we cannot finance without aid.

Please be advised that Dr. T. E. Martin, mayor, has wired Senators Hill and Sparkman stating his reaction to the plan outlined.

Sincerely yours,

SUE HEATH, *City Clerk.*

BANK OF COLUMBIA,
Columbia, Ala., March 11, 1961.

Re bill of Senators Clark and Jennings, grant for public works.

Mr. ED E. REID,
Executive Director, Alabama League of Municipalities,
Montgomery, Ala.

DEAR SIR: The town of Columbia is urgently in need of extending its sewer system, and also its water system. A preliminary engineering survey has already been made, and we are in a position to take immediate advantage of the aid offered by the provisions of this bill. The immediate need of these extensions is caused by the influx of people who are at work on the Columbia lock and dam and the plant of the Southern Pine Land & Pulp Corp.

We urge that the league push this project.

With regards, I am,
Very truly yours,

WALTER F. OAKLEY, Jr.,
Mayor, Town of Columbia.

CITY OF PHENIX CITY, ALA.,
March 8, 1961.

Mr. ED E. REID,
Alabama League of Municipalities,
Montgomery, Ala.

DEAR MR. REID: We noticed in the March 5 edition of the Alabama Municipal Information Digest that you urge the municipalities to send telegrams to Senator Sparkman and Senator Hill.

The following telegram was sent to Hon. John Sparkman, Hon. Lister Hill, and Hon. George Andrews:

"In reference to the proposed Clark-Randolph bill providing for 45-percent grant to State and local governments for public improvements, please be advised that such aid will enable the city of Phenix City to undertake much needed construction of a new sewerage system, municipal offices, jail, police, and fire stations. Therefore, your support of the Clark-Randolph bill would be appreciated.

"Respectfully,

"PHENIX CITY BOARD OF COMMISSIONERS."

We will have to build a new sewer system, including a treatment plant, by the time the Walter F. George Dam is completed on the Chattahoochee River, which will be \$3½ million. We are badly in need of a new city hall and two new fire stations.

We feel that the bill by Senators Clark and Randolph could be of great help to the citizens of Phenix City.

Respectfully yours,

JAMES D. LUTON, *City Clerk.*

CITY OF ATMORE, ALA., *March 6, 1961.*

SENATOR LISTER HILL,
U.S. Senate, Washington, D.C.

DEAR SENATOR: I have just been advised that Senator Joseph S. Clark of Pennsylvania, has introduced in the Senate a bill to help increase employment opportunities. As I understand this bill, it is a public work bill in which the Federal Government will participate up to 45 percent of the cost of public expenditures covering public utilities, buildings, schools, streets, and roads.

I certainly hope that you can see your way to support this bill, as I know of no better way to do so much-needed financing on these projects. As my city, as well as most other cities, cannot finance these needed improvements without help from some other source.

We need, in our city alone, at the present time, not less than \$500,000 worth of this type of municipal improvements.

With best wishes, I am,
Sincerely yours,

H. H. DEES, *Mayor.*

CITY OF TUSCUMBIA, ALA., *March 9, 1961.*

HON. LISTER HILL,
U.S. Senate, Washington, D.C.

DEAR SENATOR HILL: U.S. Senator Joseph S. Clark of Pennsylvania has introduced in the Senate, legislation to increase employment opportunities by authorizing 45-percent public works grants by the Federal Government as an incentive to State and local governments to accelerate their capital expenditure programs.

We feel this legislation would be quite helpful to many cities and towns of Alabama—Tuscumbia in particular.

At the present time we need a minimum of \$250,000 to resurface and repair streets and sidewalks. In addition to this we need \$150,000 to widen Hook Street Bridge across Spring Creek located in Tuscumbia, and to cure a storm sewer drainage condition that is threatening to force city of Tuscumbia to abandon our stadium.

We are sure you are familiar with this legislation sponsored by Senator Clark. Therefore, if it finds favor with you and you think it sound and helpful we will appreciate your support of the Clark proposal.

Yours very truly,

E. J. HENNINGER,
President, City Commission.

CITY OF HUNTSVILLE, ALA., *March 14, 1961.*

HON. LISTER HILL,
*U.S. Senate Building,
Washington, D.C.*

DEAR LISTER: It has been brought to my attention that Senator Clark of Pennsylvania has introduced legislation in the Senate authorizing 45 percent public works grants by the Federal Government as an incentive to State and local governments to accelerate their capital expenditure programs. As I understand it, this grant would be based on the amount of additional public works undertaken by the local government over and above the amount it would have normally put underway in the course of the year.

Although our city has done an enormous job toward taking care of our needed public improvements, as you well know, we have been unable to keep them abreast of our phenomenal growth. This bill appears to be part of the answer to a very difficult problem of our municipal government. Undoubtedly, if this

legislation were enacted we would be in a position to take advantage of its provisions. Over the period of a year we could easily put under contracts additional public works above what we had planned in excess of \$5 million.

I, personally, would appreciate any help that you can give toward the enactment of this legislation for the benefit of our city. In so doing, I feel that I am expressing the will of our entire municipal government.

With kindest personal regards, I am,

Yours truly,

R. B. (SPECK) SEARCY, *Mayor*.

CITY OF ATHENS, ALA., *March 15, 1961.*

Re Clark-Randolph bill offered on grants for public works.

HON. LISTER HILL,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR: We observe with much interest the bill introduced in the Senate by Senator Joseph S. Clark proposing Federal Government grants of 45 percent of cost of public works programs by local governments on projects to increase employment where the capital expenditures are over and above the normal budget.

The city of Athens has adopted a very limited budget, but the need of a public works program to increase employment is so great and the projects we list as probably eligible classifications for grants are so badly needed for the convenience and well-being of our city, we are quite willing to commit our efforts to a position to avail ourselves of the legislation if enacted. To this end, the city of Athens lists the following projects and estimates of expenditures:

Expand city water system.....	\$100,000
Expand sanitary sewer system.....	50,000
Grade and gravel new streets for the city and resurface paved streets...	50,000
Construct bridge over Town Creek at Lee and South Jefferson Streets...	10,000

These projects are needed now and are outside our adopted budget, but if the legislation of 45 percent is enacted as proposed under the Clark-Randolph bill, we would be glad to participate in such program and we urgently request your support to the enactment of the full program.

With personal good wishes, I am,

Most cordially yours,

ARTHUR W. STEWART, *Mayor*.

TOWN OF VERNON, ALA., *March 7, 1961.*

HON. LISTER HILL,
U.S. Senator,
Washington, D.C.

DEAR SENATOR HILL: As mayor of the town of Vernon, I was recently contacted relative to the proposed grants for public works bill.

At the last meeting of the mayor and town council of the town of Vernon, Ala., this proposal was discussed thoroughly. Each member felt it would be the answer to our unemployment situation in this section and a help to our municipal problems. The proposed bill was unanimously endorsed by the mayor and council.

At present, we are anticipating extension of the water and sewer systems, along with new streets and sidewalks in our town. We feel that our town is in a position to take advantage of this aid if it is offered to us.

We heartily recommend the passage of the proposed bill for public works.

Yours very truly,

M. M. ADAMS, *Mayor*.

THE CITY OF DOTHAN, ALA., *March 13, 1961.*

HON. LISTER HILL,
U.S. Senate, Washington, D.C.

DEAR SENATOR HILL: Reference the legislation introduced by Senator Joseph S. Clark to provide matching grants for public works projects.

This city has a program in effect to provide essential services to new subdivisions which will utilize our present available funds.

Should the above legislation become effective, we could almost immediately start on additional projects as follows :

City garage-----	\$100,000
Sanitary sewers-----	250,000
Water wells, extension of mains-----	250,000
Storm drainage-----	130,000
Streets, including curb, gutter, paving, and right-of-way-----	500,000
Electric substations and distribution-----	200,000
Schools-----	500,000
 Total-----	 1,950,000

The city's participation and starting of this work would depend on the availability of bond funds to pay for its share. In this connection, could the Government consider making available bond money at an interest rate similar to the Rural Electrification borrowing rate of 2.5 percent?

Sincerely yours,

J. T. THROWER, *Mayor.*

CITY OF FAIRHOPE, ALA., *March 14, 1961.*

HON. LISTER HILL,
U.S. Senate, Washington, D.C.

DEAR MR. SENATOR: We have received information that Senator Clark of Pennsylvania has introduced legislation to increase employment opportunities by authorizing public works grants for municipal projects in the amount of 45 percent.

The city of Fairhope has had a population increase of 32 percent in the last 10 years and we have every reason to believe this dynamic growth will continue. However, that increase has brought the usual growing pains but our revenue has not kept pace with the growth. Consequently we have basic and essential needs that we cannot accomplish without outside assistance in the nature of public works grants.

Our water and gas systems need to be both extended and increased in capacity. The majority of our streets were put down about 13 years ago and while they have been maintained rather well, they have now reached a point where they must be completely recovered and adequate gutters and drains installed. In addition our city hall building is now insufficient for needs as a meeting hall, courtroom and all the other various expanding municipal functions.

Each item is listed below with their estimated cost and in order of their priority needs:

Natural gas system: An engineering study has just been completed and the estimated cost is \$500,000.

City streets: Measurement of the streets that require resurfacing has been completed. The total is 210,000 square yards of paving and that alone with the necessary gutters and storm drains would make a combined total cost of \$500,000.

City water system: The necessary extension and increase in capacity would cost in the vicinity of \$150,000.

City hall and grounds: A preliminary survey has been started for the building and the grounds and the estimated cost is \$750,000.

The above estimates were done in conjunction with our planning commission and so they represent planning toward an orderly future growth. We could get started immediately with the gas, street, and water projects and the city hall building could be timed to start near the completion of them. That would provide our municipal needs and spread the employment over a considerable period of time. These projects would benefit not only Fairhope, but also a large section of south Alabama, including the Mobile area, due to the increased employment and the purchasing of the equipment and supplies.

Sincerely,

JOE SCHNEIDER, *Mayor.*

TOWN OF BANKS, ALA., *March 8, 1961.*HON. LISTER HILL,
*U.S. Senator.*HON. JOHN SPARKMAN,
U.S. Senator.

DEAR SENATORS: I have this day from the Alabama League of Municipalities reference to a bill offered on grants for public works. It says U.S. Senator Joseph S. Clark of Pennsylvania has introduced in the Senate legislation to increase employment opportunities by authorizing 45 percent public works grants by the Federal Government as an incentive to State and local governments to accelerate their capital expenditure programs. Under his plan, the grant itself would be based on the amount of additional public works undertaken by the State and local government over and above the amount it would have normally put underway in the course of the year.

The town of Banks has been in need of a municipal well and water works system for years. We, our attorney and engineer, have talked to the principal bonding companies and have been advised that, being so small, our rates of interest would be prohibitive.

After that our attorney and I have been to Atlanta discussing this matter a year or so ago, with the regional administrator, Housing and Home Finance Agency. He also advised us that under their formula we could not qualify for even one of their loans. I see no way except through a public works grant, that our people will be assured of plenty of good water.

I would appreciate it very much if you gentlemen will be so good as to somehow fix it where we smaller communities can provide the public facilities our people need so badly.

Sincerely, your friend,

J. E. BRANTLEY.

CITY OF ALBERTVILLE, ALA., *March 8, 1961.*Senator LISTER HILL,
Washington, D.C.

HON. SENATOR HILL: We urge you to please support the bill which is proposed by U.S. Senator Joseph S. Clark of Pennsylvania and is cosponsored by Jennings Randolph of West Virginia.

We feel that this bill will be of help to the city of Albertville and will add to the relief of unemployment.

Cordially yours,

E. B. ADAMS, *Mayor.*CITY OF PELL CITY, ALA., *March 8, 1961.*Senator LISTER HILL,
Senate Office Building,
Washington, D.C.

DEAR SENATOR HILL: At a regular meeting of the City Council of the City of Pell City, the council voted endorsement of the legislation introduced by Senator Joseph S. Clark of Pennsylvania to increase employment opportunities by authorizing 45 percent public works grants by the Federal Government as an incentive to State and local governments to accelerate their capital expenditures programs.

Our original sewer disposal system was installed under such a program and we are well aware of the benefits of such a project. At the present time we have projects which are badly needed in our community but our financial position prohibits carrying them out. However, if we were able to secure matching funds, we feel sure that we would be able to undertake them. We feel that we could participate in such a program in the amount of \$50,000.

As you know, we are in an area which has been declared a critical area as far as unemployment is concerned and we feel that such projects would certainly help.

We would respectfully ask that you give your support to the bill.

Very truly yours,

S. F. BURT, *Mayor.*

CITY OF TUSCUMBIA, ALA., *March 9, 1961.*

HON. JOHN SPARKMAN,
*Senate Office Building,
 Washington, D.C.*

DEAR SENATOR SPARKMAN: U.S. Senator Joseph S. Clark of Pennsylvania has introduced in the Senate legislation to increase employment opportunities by authorizing 45 percent public works grants by the Federal Government as an incentive to State and local governments to accelerate their capital expenditure programs.

We feel this legislation would be quite helpful to many cities and towns of Alabama—Tuscumbia in particular.

At the present time we need a minimum of \$250,000 to resurface and repair streets and sidewalks. In addition to this we need \$150,000 to widen Hook Street Bridge across Spring Creek, located in Tuscumbia, and to cure a storm sewer drainage condition that is threatening to force city of Tuscumbia to abandon our stadium.

We are sure you are familiar with this legislation sponsored by Senator Clark. Therefore if it finds favor with you and you think it sound and helpful we will appreciate your support of the Clark proposal.

Yours very truly,

K. J. HENNINGER,
President, City Commission.

CITY OF HUNTSVILLE, ALA., *March 14, 1961.*

HON. JOHN SPARKMAN,
*U.S. Senate Building,
 Washington, D.C.*

DEAR JOHN: It has been brought to my attention that Senator Clark of Pennsylvania has introduced legislation in the Senate authorizing 45 percent public works grants by the Federal Government as an incentive to State and local governments to accelerate their capital expenditure programs. As I understand it, this grant would be based on the amount of additional public works undertaken by the local government over and above the amount it would have normally put underway in the course of the year.

Although our city has done an enormous job toward taking care of our needed public improvements, as you well know, we have been unable to keep them abreast of our phenomenal growth. This bill appears to be part of the answer to a very difficult problem of our municipal government. Undoubtedly, if this legislation were enacted we would be in a position to take advantage of its provisions. Over the period of a year we could easily put under contracts additional public works above what we had planned in excess of \$5 million.

I, personally, would appreciate any help that you can give toward the enactment of this legislation for the benefit of our city. In so doing, I feel that I am expressing the will of our entire municipal government.

With kindest personal regards, I am,

Yours truly,

R. B. (SPECK) SEARCY, *Mayor.*

TOWN OF VERNON, ALA., *Mar. 7, 1961.*

HON. JOHN SPARKMAN,
*U.S. Senator,
 Washington, D.C.*

DEAR SENATOR SPARKMAN: As mayor of the town of Vernon, I was recently contacted relative to the proposed grants for public works bill.

At the last meeting of the mayor and town council of the town of Vernon, Ala., this proposal was discussed thoroughly. Each member felt it would be the answer to our unemployment situation in this section and a help to our municipal problems. The proposed bill was unanimously indorsed by the mayor and council.

At present, we are anticipating extension of the water and sewer systems, along with new streets and sidewalks in our town. We feel that our town is in a position to take advantage of this aid if it is offered to us.

We heartily recommend the passage of the proposed bill for public works.

Yours very truly,

M. M. ADAMS, *Mayor.*

CITY OF PELL CITY, ALA., *March 8, 1961.*

Senator JOHN SPARKMAN,
Senate Office Building, Washington, D.C.

DEAR SENATOR SPARKMAN: At a regular meeting of the City Council of the City of Pell City, the council voted endorsement of the legislation introduced by Senator Joseph S. Clark, of Pennsylvania, to increase employment opportunities by authorizing 45 percent public works grants by the Federal Government as an incentive to State and local government to accelerate their capital expenditure programs.

One of our utility systems was installed under such a program and we are well aware of the benefits of such a project. We have projects which are badly needed in our community but our financial position prohibits carrying them out at the present time. However, if we were able to secure matching funds, we feel sure that we would be able to undertake them. We feel that we could participate in such a program in the amount of \$50,000.

As you know, we are in an area which has been declared a critical area as far as unemployment is concerned and we feel that such projects would certainly help.

We would respectfully ask that you give your support to the bill.

Very truly yours,

S. F. BURT, *Mayor.*

CITY OF ALBERTVILLE, ALA., *March 8, 1961.*

Senator JOHN SPARKMAN,
Washington, D.C.

HON. SENATOR SPARKMAN: We urge you to please support the bill which is proposed by U.S. Senator Joseph S. Clark, of Pennsylvania, and is cosponsored by Senator Jennings Randolph, of West Virginia.

We feel that this bill will be of help to the city of Albertville and will add to the relief of unemployment.

Cordially yours,

E. B. ADAMS, *Mayor.*

THE CITY OF DOTHAN, ALA., *March 13, 1961.*

HON. JOHN SPARKMAN,
U.S. Senate, Washington, D.C.

DEAR SENATOR SPARKMAN: Reference the legislation introduced by Senator Joseph S. Clark to provide matching grants for public works projects.

This city has a program in effect to provide essential services to new subdivisions which will utilize our present available funds.

Should the above legislation become effective, we could almost immediately start on additional projects as follows:

City garage.....	\$100,000
Sanitary sewers.....	250,000
Water wells, extension of mains.....	250,000
Storm drainage.....	150,000
Streets, including curb, gutter, paving, and right-of-way.....	500,000
Electric substations and distribution.....	200,000
Schools.....	500,000
Total.....	1,950,000

The city's participation and starting of this work would depend on the availability of bond funds to pay for its share. In this connection, could the Government consider making available bond money at an interest rate similar to the rural electrification borrowing rate of 2.5 percent?

Sincerely yours,

J. T. THROWER, *Mayor.*

TOWN OF VERNON, ALA., *March 8, 1961.*

HON. CARL ELLIOTT,
House of Representatives, Washington, D.C.

DEAR MR. ELLIOTT: As mayor of the town of Vernon, I was recently contacted relative to the proposed grants for public works bill.

At the last meeting of the mayor and town counsel of the town of Vernon, Ala., this proposal was discussed thoroughly. Each member felt it would be the answer to our unemployment situation in this section and a help to our municipal problems. The proposed bill was unanimously endorsed by the mayor and council.

At present, we are anticipating extension of the water and sewer systems, along with new streets and sidewalks in our town. We feel that our town is in a position to take advantage of this aid if it is offered to us.

We heartily recommend the passage of the proposed bill for public works.

Yours very truly,

M. M. ADAMS, *Mayor.*

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