The original documents are located in Box D14, folder “America's Town Meeting of the Air - "Which Way Industry - North or South, " Jacksonville, FL, May 25, 1954” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

INTRODUCTORY REMARKS BY CONGRESSMAN GERALD R. FORD, JR.
REPUBLICAN, 5th DISTRICT, MICHIGAN

AMERICA'S TOWN MEETING OF THE AIR, JACKSONVILLE, FLORIDA, MAY 25, 1954

"WHICH WAY INDUSTRY - NORTH OR SOUTH?"

The real question, as I see it, is not whether American industry should be located in the North or South, but rather where it can best be situated to serve the interests of the Nation as a whole.

For historical, political and economic reasons American industry to a major extent concentrated in the northern part of our country. Some of the reasons for this pattern no longer exist. I am in sympathy with the desire of the South to diversify and expand its economic activity, and to obtain the benefits which would result from increased industrialization. In this process, however, due consideration must be given to what is best for the entire country, and it must not be carried out solely on the basis of regional or local interests.

This contest between the north and the south for greater industrial development is at best extremely negative. Most of the competition results in language and articles derogatory to both sections of the country, encourages false claims and otherwise serves to the detriment of the industrial progress and expansion of the United States.

For all concerned the positive approach is by far the best. We in the north should not disparage any advantages the south may have. Our sales technique in the north should emphasize our advantages which are many and unique. First and foremost we have a large resevoir of competent executives, skilled craftsmen, and highly trained production workers. In addition the north as a whole has well-developed communities with most of the necessary facilities such as schools, roads, and public utilities already in existence. Furthermore, and this will surprise many, local taxes in the north which must enter into the cost of production are not ~~a~~ in many instances a disadvantage. It should be noted in this connection that any alleged immediate local tax advantage in the south may well disappear with the need for new schools and other community facilities. The north should emphasize the benefits from a four-season year. In many industries certain weather conditions are vital in the processes of production and the health and welfare of the employees. Last but not least, there are certain advantages for the north which are now appearing on the horizon. The construction of the St. Lawrence Seaway and Power Project will give many areas in the north new transportation and electrical energy possibilities. We in the north are alert to such advantages that will definitely accrue from utilization of atomic research and development. Many areas in the north are devoid of natural sites for cheap hydroelectric power but our industrial leaders are taking steps to compensate for this handicap by leading the fight for civilian use of nuclear power so that we can have relatively cheap electrical energy from this unlimited source..

Finally, I believe that the growth of industry in the Nation must be achieved within the framework of our system of free enterprise. It is the responsibility of our business executives, after taking into account the national interests and the interests of their industries and companies, to build their factories where they think they can do the best job, and their judgment must not be influenced by artificial and temporary incentives. Such practice is contrary to the economic principles which made this country great, and in the long run will lead to inefficiency and dislocation in our long-range overall industrial development.

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STATEMENT OF D. R. (BILLY) MATTHEWS, MEMBER OF CONGRESS
EIGHTH CONGRESSIONAL DISTRICT OF FLORIDA

"AMERICA'S TOWN MEETING OF THE AIR"

May 25, 1954 -- Jacksonville, Florida

The great Southern orator, Henry W. Grady, in a talk in 1889 described the funeral of a poor "one-gallus" fellow he had attended in Pickens County, Georgia, as follows: "They cut through the solid marble to make his grave, and yet a little tombstone they put above him was from Vermont. They buried him in the heart of a pine forest, and yet the pine coffin was imported from Cincinnati. They buried him by the side of the best sheep grazing country on the earth, and yet the wool in the coffin bands, and the coffin bands themselves, were bought from the North. They buried him in a New York coat, and a Boston pair of shoes--and a pair of breeches from Chicago, and a shirt from Cincinnati. The South didn't furnish a thing on earth for that funeral but the corpse and the hole in the ground!"

Temporary.

It was inevitable that industry would move South, and that some of it will continue to move South. Available raw materials, good markets, adequate labor, superb climate, electrical power, and water--these are the priceless resources that industry needs, and these resources are abundantly manifest in the South.

Delete.

The relocation of plants has been a pattern in only those industries where due to the raw materials the plant should have been located in the South--the source of these raw materials--in the first place. This is true, particularly, in the case of textiles, where at the turn of the century 70% of the spindles were in the New England states, whereas 79% are now in the South. This change has resulted in eliminating high transportation costs on the shipments of raw materials hundreds of miles away to be made into finished products, and then shipped back to be sold.

The rapid increase in the population of the South has caused industry to realize that it needs these home markets. The labor supply is eager, cooperative, and abundant. During the past ten years, at least one million laborers of the South have had to move to the North to find industrial jobs. Still the supply is so abundant that industries coming to the South have many more applications than jobs. The small farmer, under-employed, is one of the chief sources for industrial employment. The wage differential in the South is getting less all the time, and in some industries, especially in the pulp mills, the wages are comparatively higher than they are in the North.

(1) Certificates of necessity
(2) Federal funds or incentives
a) Taxes
b) hydro power.

The Federal Government should not interfere with the industrial progress of the South. There is room for industrial expansion in all sections of the country. Just as cotton has gone from the South to the West, so some industry will come from the North to the South. Research, community initiative, good labor-management relations, the development of natural resources--these are the factors in any section of this great country that beckon industry, and the South possesses these factors.

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Congressional Record

PROCEEDINGS AND DEBATES OF THE 83d CONGRESS, FIRST SESSION

The Economic Problems of New England
A Program for Congressional Action

REMARKS OF SENATOR JOHN F. KENNEDY, OF MASSACHUSETTS, IN THE SENATE OF THE UNITED STATES

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Speeches of Senator John F. Kennedy, of Mass. in the Senate of the U.S., May 18, 20, and 25, 1953

Speech No. 1—May 18, 1953

THE ECONOMIC PROBLEMS OF NEW ENGLAND—A PROGRAM FOR CONGRESSIONAL ACTION

I. INTRODUCTION

Mr. KENNEDY. Mr. President, I wish to address the Senate today in the first of a series of speeches concerning the economic problems of New England and the role of the Federal Government in the solution of such problems. I want to make it clear from the outset, however, that neither the problems which I shall discuss nor the congressional measures which I shall propose are peculiar in their application to the New England economy. They apply in some measure to the Middle Atlantic States and to the East North Central States, and to a lesser degree to all other regions of the United States.

As a Senator's responsibility is not only to his State but to his Nation, I think that it is proper to point out that even though many of the recommendations I have made are of special importance to New England, nevertheless, none is contrary to the national interest, but rather would, if enacted, be of benefit to all of the people wherever they may live. Serious areas of labor surplus exist not only in such New England communities as Lawrence and Lowell, Mass.; they also impair the prosperity of dozens of other areas, including Tacoma, Wash.; West Frankfort, Ill.; Durham, N. C.; Atlantic City, N. J.; Terre Haute, Ind.; and Scranton, Pa. Unfair competition from depressed wage areas is a problem to the textile industry in New Jersey and in North Carolina as well as in Massachusetts. Modernization of equipment and managerial techniques are needed by small-business men in all sections of the country, not merely in New England. A declining textile industry has affected the manufacturers of Virginia, North Carolina, and Tennessee, as well as New England and the Middle Atlantic States, to say nothing of the cotton and wool producers of the South and West. Likewise, each Senator can point to examples in his own State of communities overly dependent upon 1 or 2 industries, just as so many New England towns found economic existence hanging upon the survival of the textile and shoe industries. The South and the West, as well as New England, are concerned about fair and equal transportation rates. New York, as well as Rhode Island, is interested in safeguarding its State unemployment-compensation fund. Similar examples could be pointed out for each of the problems and proposals which I shall discuss in this series of three talks.

In short, although I shall use the needs of the New England economy to point up the needs of the economies of our Nation and other great regions and States, these are not matters of interest to New England alone. As the Senator from New Hampshire [Mr. TOBEY] has pointed out with respect to the economy of New England:

> Its problems are those of the oldest economic region in the country. They deserve attention on their own merits, but have the additional value of serving as prototypes of problems facing regional economies as they grow older.

As Secretary of Labor Durkin recently said in a Lawrence address:

> These islands of surplus labor in an otherwise prosperous Nation pose a national problem. * * * Unless corrected, they act like a brake on the growth and expansion of our entire national economy.

Thus, of the three dozen or more legislative measure which I shall propose or discuss in this series, none concerns or applies to New England alone, with the possible exception of those problems of resource development and area transportation rates which necessarily involve the attributes of a particular region.

Moreover, I need not labor the point that even if such a program were concerned with and applied to only the New England region, its importance to the rest of the Nation could not be over-

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stated. We know too well in this country that a serious economic recession in one part of the Nation will eventually take its toll in other sections. This Nation's challenge to meet the needs of defense mobilization and to achieve national and international economic stability and development cannot be fully met if any part of the country is unproductive and unstable economically. Other areas depend upon New England as a market for their raw materials and as a source of manufactured products. New England accounts for over 20 percent of the Nation's textile manufacturing, well over 50 percent of the Nation's textile machinery, and approximately 50 percent of this country's nails and spikes, typewriters, handsaws, lathes, and ball and roller bearings. It provides a very substantial part of our electrical machinery and appliances, aircraft and aircraft engines, machine tools, shoes and rubber products, hardware, wiring supplies, and other important goods. War supply prime contracts of nearly $18 billion, or 9 percent of the national total, were fulfilled in New England in World War II.

New England does not seek regional advantages which are contrary to the national interests. It does not call for special attention or favors which disregard or discriminate against the needs of other areas, but this Nation cannot afford to ignore the economic problems of an area so vital to our national prosperity and well-being.

Finally, with respect to the question as to whether this is a national or regional problem, I want to say this to my friends in the South. There is no question, and I shall not attempt to conceal the fact, that much of New England's loss of industry has been to the South. But it is not my intention to attempt to penalize the South for this or to give to New England or the North any unfair advantages in the normal competition and commerce between the States. On the contrary, I firmly believe that the proposals which I shall offer will be of tremendous benefit to the South, to raise its standard of living and level of wages, to stimulate industrialization, to improve its markets, to prevent unjust discrimination and unfair competition against its industries, and in many other ways to help the economy of that region. This also helps New England, which needs to sell to the South. I shall stress many times in this series the theme of fair competition; and fair competition is just as important to the South and its industries as it is to any other section of the United States. On the basis of the recent New England address by the Governor of Mississippi, the Honorable Hugh White, I am certain that unfair practices encouraging the abandonment of existing plants are not a necessary part of the South's industrialization program; that their aim is rather one of new industrial development. "Our industrial concept," said Governor White, "is not that of robbing Peter to pay Paul."

Moreover, the South, which more than any other region has benefited from assistance by the Federal Government as well as by the free market, has recognized by its own experience that the role of the Federal Government in developing the resources of a region is great; and I am sure the South will not object to having similar aids extended to other regions.

Secondly, I wish to stress that my constant reference to the problems of New England is not intended to convey a pessimistic exaggeration of those problems, or to echo the prophets of doom who have been talking about the decline of New England for the past 30 years, or, indeed, if we examine the statements of some of our earliest citizens, ever since the establishment of the New England community.

New England has much to be proud of and much for which to be grateful. With only slightly over 2 percent of the Nation's land area, it has 6.3 percent of the population, 6.7 percent of the individual money-income payments, and about 10 percent of the Nation's manufacturing employment. In terms of per capita income and standard of living, New England is one of the more prosperous areas of the country. It has an energetic climate and an intelligent and independent citizenry. It is highly industrialized and highly productive. In absolute terms, its economy has continued to expand throughout the years, despite the problems I shall outline. In terms of 1952 price levels, the buying power of the region has increased steadily since 1940, except for the 1947–49 period which I shall discuss shortly. Population, income, and employment have similarly increased, and the present number of manufacturing employees is little less than at the wartime peak in 1943. Commer-

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cial bank deposits have shown a large rise since 1933, except for a slight hitch in 1937 and a serious decline once again in the 1947–48 period. Personal liquid savings have held fairly steady, while retail sales have risen markedly. Investments in equipment, machinery, and new construction are better than generally assumed.

At present, defense activity has stimulated economic progress in New England and has given the regional economy an opportunity to make longterm adjustments for future years. Since 1939, the number of manufacturing establishments and employees in New England has increased by better than 50 percent; the value of our manufactured products has nearly tripled. Employment in December 1952 was the highest in the region's history, with a gain of approximately 1 million jobs since 1939. Our financial institutions had a higher proportion of assets, and our workers a higher take-home pay and standard of living, than those in other regions throughout the Nation. In terms of savings accounts, purchases, life insurance, home ownership, and telephones, radios, and television sets, New Englanders as a whole are in a most fortunate position. For nearly 20 years, New England has shown the lowest annual total of man-days lost because of strikes. Our educational institutions and industrial research laboratories are famous throughout the Nation and the world. Our New England Council, chambers of commerce, and local industrial development groups have actively championed new industries and aided old ones. In short, the economy of New England on the whole is neither depressed nor undeveloped. All in all, we have every reason to be optimistic, and few to be pessimistic; we have little reason to complain, and many blessings for which to be thankful.

But, Mr. President, I believe we must speak frankly with respect to the very real problems which threaten the prosperity I have already discussed, and which already, in particular communities, have damaged the economic welfare of our citizens. We speak frankly in order to realize what the problems of the region are, and in order to determine what solutions for such problems are needed. Regionwide statistics do not reveal the suffering of individual communities. Defense prosperity conceals long-range declines.

These problems have been analyzed in intensive studies. I doubt that the economic problems of any region have been so thoroughly and so frequently studied as have those of New England. The number of such studies began to rise as far back as 1920. Their intensity has increased in the past 5 years. Studies have been made by regional and State groups, on both a private and public level. The President's Council of Economic Advisors initiated a study which was published in July 1951. The Joint Congressional Committee on the Economic Report is currently sponsoring a study, through the National Planning Association. The New England Governors, the New England Council, and various economists have all made studies. And the studies have been studied. But no definite, comprehensive legislative program has been submitted to Congress. The time has come now to act positively and decisively.

In addition to these analyses, in the past 2 years I have traveled up and down the State of Massachusetts, and, to a lesser extent, other parts of New England. I have discussed these problems with workers in the plants, fishermen on the piers, bankers, businessmen, and others. I am convinced that the problems which I shall discuss in this series of addresses are very real problems indeed. They deserve our immediate and serious attention as a matter of national interest.

It is not my contention, Mr. President, nor is it the contention of the great mass of New Englanders, that the sole answer to all these problems lies in the Federal Government. The recommendations I intend to propose fall within the legitimate functions of the Federal Government because they involve problems national in scope and character. Although I shall deal primarily with legislative matter, an equally large area of work on these problems is dependent largely upon administrative action by the executive branch. I limit myself to recommendations of action on the Federal level only because that is the limit of my jurisdiction as a United States Senator.

No Federal program can solve problems of the New England economy without action on the State and local level. Indeed, no governmental program can do the job without assistance from private agencies, organizations, and indus-

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tries. The primary responsibility for the economic development of any area rests with the people of that area, acting both through their State and local governments and through the utilization of their own private initiative. As the New England Council has often pointed out, and as experience has shown, community leadership and community spirit are of the utmost importance in maintaining the economic prosperity of an area. The structure of State and local taxes is one of the most important factors affecting economic growth in New England and elsewhere. State and local programs for manufacturing, community public works projects, State and local surveys, and public and private education all play a large part. Labor and management can, by their wise conduct and concern for the problems of the community and the individual, contribute much to the solution of such problems.

Above all, it has often been said that New Englanders must have faith in New England. They must modernize and expand their manufacturing plants in the expectation of, and as a contribution toward, a region whose prosperity will continue to grow. In the important textile industry, for example, new investments, intelligent handling of labor relations, merchandising techniques, new product development, and new engineering methods are several important fields in which, according to the Report on the New England Economy, a considerable segment of management in New England has room for improvement. New investment per textile worker lags in New England, as compared to other regions. Yet the New England mills which have developed and made new products and have modernized their machinery and have accepted new ideas have continued to prosper.

Such matters are of concern to others than textile owners. An abandoned textile mill means lost skills, welfare payments, and a loss of income not only to the worker, but to his grocer, his doctor, and all others in the community. It is thus the business of all citizens in a community to consider the problems and means of assisting not only new industries, but also those now providing their economic lifeblood. Ingenious and alert industrialists, with the aid of responsible labor and understanding government, can do much to solve economic problems of New England, without Federal assistance.

However, the proper role of the Federal Government cannot be denied. By this I do not mean, nor will I call for, the expenditures of large Federal grants or the establishment of new, large bureaucracies to handle these problems. As I shall discuss later, New England has a very vital stake in economy in the National Government. New England does not ask for unjustified grants for itself or for any other region. The overall effectiveness of the three dozen or more proposals I shall make will not depend upon the public expenditure of large sums of money. But I firmly believe that New England can no longer attempt to solve its national problems on a local level. It can no longer pour tax funds into the economic development of other regions, without receiving from the Congress fair consideration of its own problems. In recent years New England has contributed to the Federal Government far more funds than those which have been returned to it in Government services or expenditures. It is not my thought that New England's interest is best served by opposing Federal programs which contribute to the well-being of the country, particularly when those programs increase the purchasing power of New England's customers. Where Federal action is necessary and appropriate, it is my firm belief that New England must fight for those national policies. Besides aiding the national interest, such policies are of importance to New England's prosperity, and particularly if it acts to obtain its fair share of the services and programs for which its tax funds are expended.

What are the problems of the New England economy? Why is it necessary that the Federal Government devote attention to that area? What are the economic ills which in the past have hampered the economic growth of that area, and are equally dangerous to other areas all over the Nation? In the first place, New England is the oldest regional civilization and economy in the United States. It has not yet reached its limit, as some would have us believe; nor is it without new industries, new developments, and new ideas. But as an older industrial community with long-established industries and traditions, too much of New England is still dependent

upon outmoded methods and customs of the past. Its principal natural resources, such as fisheries and forests, are being depleted. The center of population is moving away. The fast-growing basic industries of the country are located elsewhere, for reasons of economic geography and resource development. Many communities have relied entirely upon 1 or 2 industries, whose decline in the world or national market could not be prevented. Machinery is old; management is old; methods are old. Too often government, management, and labor have resisted new ideas and local initiative. Products of New England's outstanding universities and research laboratories—Massachusetts alone has 32 institutions of higher learning—have frequently been rejected unwisely by New England business. What Professor Seymour Harris calls economic arteriosclerosis has set in, in too many communities and industries.

These are, of course, generalizations, which are equally as dangerous as the overall regional statistics which conceal the problems of particular communities. There are in the region many firms and many areas which are realizing the needs and opportunities before them. There are government officials who realize that an older economy must be revitalized if it is to compete successfully with other regions and if it is to continue its economic growth. Various parts of New England are far more prosperous, or face far different problems, than other sectors. But, for the most part, the general description I have given is at the root of New England's troubles, just as it is at the root of the troubles of many industrial communities elswhere in the United States. Unless important basic adjustments in the economic structure of the area are undertaken, the end of our present defense-inspired prosperity will accentuate what has been called the decline of New England. Its economic growth, industrialization, population, per capita income, manufacturing employment, and share in particular industries have not kept pace with the rest of the country. From 1919 to 1950 the Nation gained 46 percent in manufacturing jobs, while New England lost 6 percent, although much of this was prior to 1939. Today defense contracts in the aircraft and electrical machinery industries and the inflated Government payrolls and other activities resulting from mobilization cover up the static position of the private civilian economy of the region. Without the aircraft and electrical machinery industries employment, New England hard goods showed a decline in 1952. Soft-goods employment increased only nominally, with serious decreases in particular industries, such as textiles. The problems of the textile industry, employing some 250,000 workers in New England, are not primarily regional problems, but their effect is felt heavily in New England because of that industry's importance to the region.

Although at present levels of activity the labor-force requirements are higher than ever, experts agree that New England industry is operating below capacity. Even now soft spots in the economy are developing, defense plants are completing orders and are laying off workers, and large-scale unemployment continues in particular communities. A disproportionately large percentage of the group IV areas of substantial labor surplus were in the six-State New England region, according to the latest classification by the Department of Labor.

Such problems have plagued our region since the close of World War II, and to a lesser extent since World War I. Between 1929 and 1950, New England textiles lost 149,000 jobs; and the leather industry, 44,000. In Lawrence, for example, so dependent upon textiles, approximately one-fifth of all workers have been without jobs continually since 1947—this during the greatest prosperity in American history. Even after the Korean boom, nearly 40 percent of Massachusetts' 100,000 textile workers were jobless, and yet they constituted less than one-half of the State's unemployed. Instead of declining during the heavy mobilization year of 1951, unemployment increased 150 percent in Fall River, 103 percent in Lawrence, and far more in Nashua, N. H., and in the Rhode Island textile mills. These unemployed workers are the concern of their communities who suffer a double economic loss in the incomes of the workers and those who serve them. They are of concern to the State and to the region, where the impact of such unemployment is felt and they are of concern to the entire United States, whose economic welfare and mobilization productivity is harmed by such misfortunes in its midst.

The 1948–49 recession hit New England much more severely than the rest of the country. The decline in manufacturing employment was earlier and greater in each of the six New England States and in the region as a whole than for any other State or region or the Nation as a whole. Throughout 1949 and during the recovery in 1950, between one-fourth and one-half of the Nation's areas of critical unemployment—measured only by those covered by unemployment insurance—were located in the New England region. In September 1949, 16 of the 30 critical areas surveyed were in New England. The workers of New Bedford, Fall River, Lawrence, Lowell, Worcester, and North Adams, Mass.; Danielson, Conn.; and Providence and Woonsocket, R. I., for example, cannot yet fully forget the meaning of long-term unemployment, when benefits have been exhausted and governmental action is sporadic and superficial. New responsibilities and new opportunities were presented by the current defense program, but unemployment in many of these areas continue just as it has continued in areas outside of New England, such as Scranton, Pa. A 1951–52 textile slump hit New England particularly hard, with a loss in jobs of over 50,000. A large share of those who kept their jobs worked less than 4 days a week. Although the business outlook seemed generally improved in 1953, textile employment continued to decline. As a result of these trends, my own State of Massachusetts has consistently since World War II exceeded the national average in unemployment rates. According to Department of Labor classifications, in March 1953, of the 11 Massachusetts labor markets, 9 were in group III or IV areas of labor surplus; as were Portland, Maine, Providence, R. I., and Manchester, N. H.

The proportion of official unemployment in Lawrence, Mass., in January of 1953, well over 20 percent, was practically equivalent to the proportion reached in that city in January of 1934 at the height of the great depression, and more than twice as great as the figure for 1930.

Moreover, another disturbing factor has entered the New England scene—that of industrial dislocation. I shall discuss this matter in more detail subsequently; but suffice it to say at this time that New England is not opposed to the industrial development of any other area of the country, nor do New England industries shrink from competition with their competitors in other areas. But we believe that such competition should be fair; and we cannot approve the abandonment of plants and thousands of workers for what we consider to be the exploitation of unfair methods of competition. Nor can we sit idly by and not take whatever legitimate paths are open to prevent such improper dislocation and migration and its ill effects. Since 1946, in Massachusetts alone, 70 textile mills have been liquidated, generally for migration or disposition of their assets to plants in other sections of the country, in the following communities: New Bedford, Fall River, Holyoke, Lawrence, Fitchburg, Taunton, Lowell, Worcester, Brockton, Haverhill, Peabody, Norwood, Walpole, Waltham, Canton, Wollaston, Maynard, Hudson, Andover, Newton Lower Falls, Clinton, Easthampton, Fisherville, Lynnwood, Turner Falls, Millbury, North Adams, Rochdale, Gardner, Manchaug, Auburn, Webster, West Medway, Gleasondale, Graniteville, North Oxford, North Dighton, Bondsville and West Warren.

Within these past few weeks, we have heard rumors of further liquidations and migrations on the part of the American Woolen Co., the biggest woolen manufacturer in the country, with 18 mills and many thousands of workers in New England. The migration in woolens is more recent; in cotton manufacturing it has been underway for 25 years. Then New England had 80 percent of the industry; now it has 20 percent.

The impact of such industrial dislocation cannot be underestimated. When the Kilburn Cotton Mill in New Bedford was partially liquidated and moved to Tryon, N. C., 1,000 workers lost their jobs. The American Woolen Co. has already shut down its Assabet mill in Maynard, Mass., in preference to its new mill in Tifton, Ga., at a cost of 1,500 jobs. The liquidation of the Arlington mills in Lawrence of William Whitman, Inc., added 4,000 to the unemployment rolls. In all, liquidations and migrations in the textile industry alone since 1946 have removed from 1 State—Massachusetts—over 28,000 jobs. Plants stand idle, nearly 5 million square feet of industrial plant being empty in Lawrence alone.

Officials of one Massachusetts town have stated that 50 percent of that community's jobs have been moved elsewhere.

Such dislocation is not only taking place in Massachusetts, but all over New England; and indeed throughout the Middle Atlantic and other regions. It is not only taking place in textiles, but also in shoes, electrical goods and numerous other industries. I am certain that nearly every other Senator can point to similar situations in his own State. I ask, therefore, that before our mobilization economy has terminated and a more serious recession is upon us, and before spot unemployment and industrial dislocation and migration undermine the orderly maintenance of our prosperity, we give special attention to these problems.

It is my intention to outline in this series of addresses a comprehensive legislative program to meet these problems. After long and serious study, I have concluded that action by the Federal Government in the following areas and in the following ways is both necessary and desirable.

First, we must lend our efforts toward the diversification and expansion of commercial and industrial activity in these problem areas. This may be done through assistance to State and local community organizations engaged in stimulating activity; through tax incentives to industries expanding in labor surplus areas or replacing and modernizing equipment; through establishment of a job retaining program; through assistance to small business; through the fullest utilization of natural resources; and through assistance to industries which are specially depressed, such as our fishing industry.

Secondly, we must lend our efforts toward the prevention of further business decline and dislocation. We can do this by taking measures to equalize the cost of labor, through equalizing unionization, wage rates and non-wage-payroll costs; by equalizing the distribution of Federal business incentives such as defense contracts and tax amortization privileges; by eliminating the competitive abuses of tax privileges which have contributed to such industrial decline and dislocation; by giving attention to the need for eliminating discrimination in transportation costs; and by preventing harmful speculation in certain commodities.

Third, we must lend our efforts toward the reduction of those hardships caused by unemployment, dislocation or recession. This would include improvement of our unemployment compensation program; provision for a more adequate program for our older citizens; and establishment of a genuine middle-income housing program.

Finally, I shall set forth other overall legislaitve objectives affecting these problems, including economy in the National Government; cautious wisdom in international trade policies; effective anti-inflation, antideflation, and antitrust programs; and a review of our present agricultural programs.

I want to stress that the presentation of these problems and proposed solutions is only a foundation—a beginning in outline form. My approach is, of course, only one approach. I shall offer it as a basis for further consideration and further suggesitons and legislation by the Congress, the Federal agencies involved, and the people of New England and the United States. I have no doubt that there will be many in New England who will not agree with one or more of the solutions offered to these problems. Indeed there are many who are unwilling to admit that such problems and such needs even exist. But I am hoping that this program will contribute to the present consideration New England, the Nation, and Congress are giving these problems, and facilitate appropriate action to meet these needs.

I know, of course, that there is a long road between the presentation of a program and its final enactment, and that we cannot expect favorable or immediate action upon all of these proposals. Nor would even the enactment of such a program provide a panacea for all of the economic ills of New England and the Nation. But I believe it to be a start in alleviating the present and long-term situations which I have outlined to you.

ORGANIZATION OF NEW ENGLAND DELEGATION

The implementation of any effective program for the benefit of New England will require, of course, the united efforts of the entire New England delegation for the purpose of promoting these and other bills for the benefit of New England, for reviewing general legislation affecting beneficially or adversely the New England economy, and for coordinating information on Federal administrative action affecting New England, including a check on funds expended and derived by the Federal Government in that area.

This delegation has always in the past worked harmoniously for the best interests of our region. I believe, however, that it is of the utmost importance that this cooperation be placed on a more formal basis and that we should meet periodically to discuss these and other proposals, to consider in fact all governmental matters affecting the New England economy. Other State and regional delegations have similar meetings with considerable effectiveness, and I congratulate them. Despite differences in the type and intensity of problems affecting the various sectors and States of New England, I am confident that we can unite in order to cooperate in the interest of the Nation and our region.

In summary, Mr. President, I wish to say only this: Our national prosperity and the present overall advantages of New England are in themselves evidence of those assets, both human and material, which can overcome the problems which I have previously discussed. The role of the Federal Government is only a limited role in the solution of these problems, but it is an important one. To many in New England, a Federal program for even a partial alleviation of their problems will require an adjustment in attitudes. But we in New England have too long sat on the sidelines while our tax funds solved the problems of other areas. Now we are beginning to act. By facing facts, by uniting our efforts, by contributing our utmost on all levels of government and in all walks of life, our regional and national prosperity will continue to grow, our employment levels will increase, and our industries and workers will prosper. The time for such action is now.

II. INDUSTRIAL EXPANSION AND DIVERSIFICATION

Mr. President, the most important step which can be taken to alleviate the economic stagnation which mars the otherwise healthy economy of our Nation, in particular areas of New England and elsewhere, is to bring about the diversification and expansion of commercial and industrial activity in those areas. New industries, new products, new firms, and new markets will remove labor surpluses, invigorate the economy, and stimulate economic growth. Similarly, new plants, new machines, new technical developments and new techniques of management and marketing are needed to cure the ills of an economy suffering from old age. In textiles particularly, such new approaches are available but need to be put into effect.

REGIONAL DEVELOPMENT CORPORATIONS

As the first and basic step in enabling local communities and industries to bring about such changes through their own efforts, I am introducing proposed legislation which would enable the establishment of regional industrial development corporations. Such corporations would have the following functions:

A. To provide technical assistance to, and otherwise encourage the formation and growth of, State, and community industrial or credit development agencies, foundations, corporations, or similar organizations formed for the purpose of stimulation and expansion of new and diversified commercial and industrial activity and productivity;

B. To provide technical assistance and informational and consultative services to such organizations or agencies, and to educational or other appropriate public agencies, to aid in the initiation or development of—

First. Industry advisory committees and technical conferences;

Second. Community and area surveys of—

(a) Private industrial production and distribution potential, market analyses, and plant space surveys, and

(b) The need and possibilities of Federal public works projects;

Third. Labor mobility and retraining;

Fourth. Business adaptability to new lines of production, and productivity generally; and

Fifth. Liaison between various Federal agencies and those interested in, or in need of, the contracts or services of such agencies, including RFC loans and certificates for rapid tax amortization;

(c) To provide particular assistance and analyses to the appropriate State and local organizations, and make recommendations to the appropriate Federal agencies, with respect to any area within the region which has been designated as a labor surplus or distressed area.

Congress should also consider the possibility of enabling such regional bodies to make loans, and in some instances grants, to the local groups, and insure or guarantee the industrial development loans of such groups and possibly commercial banks. Moreover, if present RFC and SDPA direct-loan authorizations are not expanded, as I shall discuss shortly, or if the Douglas-Flanders or Sparkman bills for small-business financing are not accepted, Congress should further consider the addition of that function to the powers of the Regional Development Corporation. Such legislation would authorize the establishment of such corporation with a Federal charter under the auspices of the Federal Reserve bank in the region in question whenever two or more State or local industrial development corporations join in establishing such a regional body under the conditions to be set forth in this legislation. The initial purchase of stock in such a corporation could be made in whole or in part by the Federal Reserve bank of the district, with the provision that the stock would be sold to the organizations for, with, and through which the regional corporation works. State industrial development agencies would similarly be eligible to purchase stock in, or make annual contributions to, such regional agency. The regional agency, in turn, would be empowered to purchase a specified minimum proportion of the stock in any community industrial development corporation in that region.

Such a corporation shall have a board of directors, all of whom are selected from the region in question and a full-time technical staff. In general, the philosophy of such a program will be neither the establishment of a new supernational or regional bureaucracy duplicating the present industrial development programs and bringing large Federal grants or Federal intervention; but instead shall be to help, encourage, and prod such State and local organizations to help themselves in their own manner by providing to them the technical assistance and other resources mentioned above which will enable them to perform their functions more adequately. Such a regional corporation should not be a promotional agency advertising the benefits of such region or particular States or communities therein, or exercise direct efforts to attract specific firms to such regions or States. Interstate cooperation, not rivalry, would be its objective. Federal enabling legislation is necessary primarily only to define the role of the Federal Reserve banks and to establish conditions for tax exemption; in all other respects, such a project would be local in its entirety.

Such a corporation would be granted exemption from Federal, State, and local taxes, although it would be established on a basis making possible a small profit to those State and local industrial development groups who hold stock therein. The efforts of such regional agency on behalf of State and community industrial development organizations will not be exercised on behalf of those organizations who are engaged in the extension of public credit, tax privilege, tax loopholes, or other outright public subsidy to new industries, who will still be expected to pay their fair share of State and Federal taxes on all sites and buildings involved, nor will its efforts be exercised on behalf of those individuals and firms whose objective is primarily one of profit making rather than the community interest, although those community industrial development corporations which have a possibility of earning profits will not be excluded. To the extent possible, considerations in the extending of such efforts by the regional group will be toward stimulating new industries, not enticing old ones, and giving fair consideration to the competitive position of industries presently established in the area.

Ideally, the initiative for industrial development and most of the funds and effort should come from the local communities. There are at present three State development corporations in New England, in Maine, New Hampshire, and Rhode Island. Vermont and Connecticut are working toward such corporations and there have been several proposals, including that of Governor Herter, for establishment of a similar organization in Massachusetts. There are more than three dozen local industrial foundations in cities and towns throughout New England whose work, which I shall describe shortly, has recently been praised by the National Planning Association's Report on the Financial Resources of New England. Many other communities have other types of development organizations. Practically all of these have limitations in scope or financing. To provide further assistance of the type I have mentioned to these local groups would be the chief function of the regional bodies I am proposing.

Such an organization would also provide an invaluable function in coordinating on a regional and local level, and providing local interests with liaison, the present activities related to those problems now conducted by the Departments of Commerce, Labor, Defense, the RFC, SDPA, and other Federal agencies. Perhaps more important, it could coordinate the activities of the various State and local groups, the desirability of which was recently pointed out by the National Planning Association's Committee of New England.

The fact is, I believe, self-evident that New England and certain areas therein, with their economic growth retarded and certain of their industries being lost to other regions, are in need of new expanded and diversified commercial and industrial activities and products. It is likewise self-evident that important in the attainment of such objectives are the utilization of technical assistance, community surveys, job retraining, labor mobility, business adaptability, liaison with the Federal Government, and the other factors envisioned in the program proposed.

According to Department of Labor estimates last year, a total of $11 million of investment from local industrial development corporations would provide the nearly 14,000 jobs in manufacturing necessary at that time to balance the labor force in Massachusetts. This amount may be compared with the annual cost of unemployment insurance benefits in the State of nearly $30 million. In the city of Lawrence, where

well over one-quarter of the labor force was unemployed in July 1952, a total of some $5 million in capital investment, initially utilized in the bonds of a local industrial development corporation at a per capita investment of $41, when supplemented with capital investment raisable from insurance companies and the investment provided by a new industry for its machinery, would provide the number of manufacturing jobs required to balance the labor force in that area. In this same area, over $11 million annually was being paid out in unemployment insurance benefits.

In August of 1952, the Arthur D. Little Report on Industrial Opportunities in New England was published. The objective of this report was to discover new markets for products now made by New England companies, opportunities for introducing newly developed products, and opportunities for establishing new industries suitable for New England, with emphasis principally on growth industries and technological advance. The report emphasized the many products in which New England's share of the market is underdeveloped, the possibilities of diversifying New England industry through new products and new firms, and the basis for establishing industries new to the region or new in a technologic sense. The establishment of a nonintegrated steel mill, an oil refinery, or a cement plant have long been considered desirable objectives for the New England economy. To these, the Little report added many others. It emphasized, however, as so many other reports on the New England economy have emphasized, that further efforts and investigation were necessary with respect to the establishment of each such industry or product. Such a task might well be undertaken by the organization I am proposing.

The most recent report of the Massachusetts Industrial and Development Commission, the report of the Massachusetts Special Commission on the Textile Industry, the testimony of labor and other representatives before that commission, the report of the New England Governors' Committee on the Textile Industry, the report of the Council of Economic Advisers' Committee on the New England Economy, and others have all emphasized the effect upon New England industries of technological and managerial changes. The need for consultative services and technical assistance in the area has been restated many times by such reports. The emphasis here is not only upon new industries, but is likewise upon showing the same enthusiasm and consideration to existing industries in an effort to retain and expand the status of those industries.

In general, the functions suggested for the Regional Industrial Development Corp. are those which have time and time again been recommended as necessities for the New England economy. They emphasize the need for using New England agencies, New England facilities and sites, New England investment capital, and New England personnel. The Federal Government cannot and should not attempt to take over all of the functions necessary to maintain the economic prosperity of New England or any other region. But, through enabling legislation for regional agencies of the type described above, it may provide assistance to the State and local organizations to enable and encourage them to help themselves. That is to say, help themselves with respect to those functions not strictly a matter of Federal legislation—promotional organizations, industry censuses, industrial research and development, technical and managerial services to small business, analyses of regional economic needs and capacities, encouragement of diversification of industry and products, promotion of the retraining and mobility of labor, analysis of labor force and unemployment statistics, encouragement of venture capital, establishment of steel and other required industries, and similar functions—all of the foregoing being listed as important steps for New England in the report on the New England economy, which has high praise for the work of the State and local industrial development organizations.

The praises of State and local industrial and credit development foundations, corporations, and agencies have been sung many times. The results of their efforts on a statewide basis, as in New Hampshire, or on a local basis, as in Lawrence, Lowell, and New Bedford, have often been cited as examples of what could be done if proper funds and assistance were available. The Federal Reserve Bank of Boston, through its Monthly Review, has commended the establishment and activities of industrial foundations. The definition provided by a Monthly Review article is an excellent summary of the work of such foundations:

Industrial foundations are privately sponsored community agencies which make investments out of their own funds, bring enterprises in need of capital to sources of funds seeking investment, or otherwise aid business in obtaining money. For the most part, they are nonprofit organizations * * * set up to carry on and extend the services customarily provided by chambers of commerce in the industrial development of their communities. The primary purpose of the industrial foundation is to bring new industrial enterprises into the community, although it may also be interested in assisting local manufacturing firms. It achieves its purpose primarily by financing requirements for factory space * * * (or) buying and building plants for lease or sale * * * It may also furnish other aid by leasing or selling industrial sites at or below cost, by loans or other financial aid, and by providing managerial assistance * * * (including) engineering and other counseling services to small business * * * subsidies such as free rent or land, and exemption from property taxation. The fundamental objective of an industrial foundation, therefore, is to increase the payrolls of the community by developing the community industrially.

New England foundations have not utilized outright subsidies and tax exemption. Funds are usually raised on a broad base of solicitation; the average foundation is a nonprofit corporation. Such organizations have neither conflicted with other community groups such as the chamber of commerce, nor competed with private enterprise such as local banks, but have worked in cooperation with both. According to a Tulsa study quoted in Monthly Review, there were 72 industrial foundations operating in the United States in 1948 while another 32 cities had similar but less formal community industrial financing plans. In the past 5 years, this type of financing program has grown tremendously, partly due to their amazing success in attracting new industries and financing the expansion of enterprises already located in the community. Their ork has been compared to "the practical neighborly interest in a local venture that used to develop spontaneously in a more simple structure of an earlier period," while at the same time recognizing the fact that technical expertness and respected judgment, as well as sources of capital, are necessary to supplement community enthusiasm and goodwill.

A particular booster of such organizations is the New England Council. The council's publication New England Newsletter in January 1953 stated that 37 relatively new community agencies in New England had attracted at least 300 firms, 27,000 new jobs and a total annual payroll of around $75 million. The Report of the New England Governors' Committee on the Textile Industry also praised the efforts of State and community organizations to attract new industry, without use of tax funds and subsidies. The Third District Federal Reserve Bank of Philadelphia is similarly a great supporter of community industrial development organizations as a means of improving and diversifying the local economy in Pennsylvania's many labor surplus areas.

The Department of Labor has also publicized and boosted the efforts of community industrial development organizations, and states in a recent release that far more promising in the long run than Government contracts, "particularly in one-industry towns, is helping small businesses expand and bringing in new industries."

Particularly successful community industrial development organizations which have received justified public commendation include Pittsfield, Mass., Industrial Development Co.; Holyoke Industries, Inc., Massachusetts; Northampton, Mass., Industrial Realty Development Corp.; Lowell, Mass., Industrial Corp., Danbury, Conn., Industrial Corp.; Pottsville, Pa., Development Fund; Lebanon, N. H., Industrial Development Association; Laconia, N. H., Industrial Development Corp.; Ware, Mass., Industries, Inc.; Knox Industries, Inc., of Rockland, Maine; Belfast, Maine, Industrial Building Association; Louisville, Ky., Industrial Foundation; Scranton, Pa., Planning Corp. and Industrial Development Co.; Amoskeag Industries, Inc., of Manchester, N. H., Greater Lawrence, Mass., Industrial Corp.; Nashua, N. H., Foundation; Portland, Maine, Industrial Program; and many others. The structure and functions of the above vary, but they have been uniform in their success.

It has been pointed out, however, that such local initiative is to no avail if it attempts to raise funds and enthusiasm after the disaster has struck and the area has become distressed. Thus, the

measures taken by the New England groups during the 1948-49 recession were called a hopeful sign of community interest, but not proportionate to the industrial decline during that period. Again, the value of a regional organization with more adequate and more permanent resources is seen.

In summary, it is submitted that a regional industrial development corporation, with the functions suggested, could make an invaluable contribution to the battle for the expansion and diversification of the economies of New England and other regions through providing technical assistance, coordination, and other services to those properly qualified State and community industrial and credit development organizations who are in the forefront in this battle.

Mr. President, I ask unanimous consent to have printed at this place in the RECORD a memorandum setting forth the precedents for such a regional agency as I am here proposing.

There being no objection, the memorandum was ordered to be printed in the RECORD, as follows:

PRECEDENTS FOR REGIONAL INDUSTRIAL DEVELOPMENT CORPORATION LEGISLATION

A. PRECEDENTS FOR SIMILAR REGIONAL BODIES IN FEDERAL LEGISLATION OF PROPOSALS

Although a program of the exact nature described above has not previously been proposed to my knowledge, similar programs, containing parts of the above outline, have previously been incorporated into bills or suggested by various studies as appropriate for Federal action.

A recent article in the Harvard Business Review gives a full discussion of the growth and value of industrial foundations in New England and concludes with a discussion of the need of such funds for outside assistance:

"What communities need from the outside is neither leadership nor funds, but knowhow. While the United States Government is currently furnishing significant technical and scientific aid overseas under its point 4 program, let us not overlook our own 'underdeveloped' communities. They also deserve something akin to point 4—when their business leaders have organized in a manner to profit from such aid."

In 1950, Senator O'Mahoney introduced S. 2975 establishing regional corporations within the Federal Reserve System subject to the supervision of the Board of Governors of the Federal Reserve System, with authority, among other things, "to encourage the growth of local industrial development corporations formed for the purpose of supplying venture capital for the development of new and useful products, services, or techniques by providing for limited financial participation in such corporation," by purchasing the capital shares of any such corporation up to 5 percent of its capital and surplus.

Such corporations were to be formed by private individuals acting under the auspices of the Federal Reserve System, with shares of stock in the corporation being eligible for purchase by member banks of the Federal Reserve System and initially by the Federal Reserve banks themselves. Provision was also made for technical assistance, coordination with other agencies and tax exemption, etc.

In the first session of the 81st Congress a comprehensive bill intended as a furtherance of or a substitute for the Employment Act of 1946 was introduced in the Senate by 17 Democrats and 2 Republicans. Shortly thereafter I introduced the same measure in the House. This bill, although not intended to operate primarily on a regional level, provided through the utilization and expansion of existing facilities and agencies for a large number of the items discussed above and others generally included in our New England program. It specifically provided that "the President, through the Tennessee Valley Authority and any other such regional agencies as may be established and, for those regions of the country for which no such agencies exist through such administrative mechanisms as he may designate or create, shall provide for continuing regional surveys of * * * developmental needs and opportunities for private business enterprise, particularly new, small, and competitive business enterprises, including market analyses and distribution potentials * * * needs for resources development and public works projects: *And provided further*, That in making such surveys the facilities of State, local, and regional planning and development agencies and of universities and colleges shall be utilized to the fullest practicable extent. The results of such surveys shall be made promptly available to appropriate Federal, State, and local agencies."

It also provided for loans to State agencies and subdivisions for surveys, economic investigations and analyses, and advance planning of resources development and public works projects. Special assistance to distressed areas, provisions for labor restraining and mobility, and industrial advisory committees were all included. Apparently no hearings were held on this legislation.

The report of the Joint Committee on the Economic Report on the Economy of the South stated that if some form of Federal aid is needed to provide capital funds for full development and employment in the South, then "such aid might take the form of a Regional Industrial Investment Fund set up by the Reconstruction Finance Corporation or some other similar agency."

The report of the Committee on the New England Economy prepared for the Council of Economic Advisors was even more specific in its recommendation:

"It is desirable that the Congress take action to provide for the establishment of regional privately owned investment corporations which shall have the support of regional Federal Reserve banks. Such a proposal was before the last Congress in the form of Senate bill 2975. Adoption of such a proposal would greatly expand the total of funds available for equity financing. It would bolster the operations and funds of private and State-sponsored development corporations. It would continue to use the personal contacts, information, and advice of local banks, which could assume ownership and control as soon as they wished. It would greatly stimulate the formation of new enterprises and the modernization and growth of small established firms. * * * It is recommended that the regional investment banks, suggested above, have on their staff full-time personnel to guide and assist community groups that are interested in the establishment of industrial foundations."

The report also recommended that the Department of Commerce use some of its research and development funds to work through educational and community groups to provide technical and managerial assistance to small-business men.

The Committee for Economic Development has proposed, and the Smaller Business Association of New England is interested in, the establishment of capital banks on a regional basis, with a private, profit-making status (although at least related to the functions of the Federal Reserve banks) for the purpose of providing for the long-term financial and equity capital needs of small business. The committee states that a form of this type of bank is successfully operating in Canada. A similar proposal was made in 1945 by the Committee on Small Business of the Investment Bankers Association. In 1943, representatives of the private New England Industrial Development Corp. recommended to the Senate Small Business Committee the establishment of a holding company for investments and small firms backed by Government guaranties. The recent report of the NPA committee of New England made a similar recommendation.

All are, of course, aware of the existing agencies such as the Reconstruction Finance Corporation, Federal Reserve bank, Small Defense Plants Corporation, Council of Economic Advisers, and others. Most of these have regional offices. A more regionalized approach has been used in the power and water resources field, where a separate body (TVA, SEPA, SWPA, BPA, etc.) has been established for a particular region.

B. PRECEDENTS FOR SIMILIAR REGIONAL BODIES IN REGIONAL COMPACTS OR PROPOSALS

There have been previous proposals in New England for uniting the region on problems of industrial development. In March 1949, the six New England Governors, under the chairmanship of Governor Pastore of Rhode Island, drafted a plan calling for an organization "to plan and develop for 10 years common economic interests for a greater New England." This was to be in the form of an interstate compact for a New England Development Authority to survey the natural and economic resources of New England, together with the resources of adjacent areas which affect the economy and development of New England. The emphasis appears to have been primarily upon development of water and other natural resources; but the survey was also to include, but not be limited to, an investigation, study and comprehensive report upon the importation of natural gas by pipeline, the establishment of a steel industry, the promotion and development of the textile, the electrical, the brass and the shoe industries, and the conservation and expansion of marine fisheries, agriculture, and timber and mineral production. The Authority was directed to determine the availability of Federal grants-in-aid for developing such projects as it might recommend; and take steps to procure such funds.

The President of the New England Council, in calling attention to the significance of the proposed compact, stated:

"To a much greater degree than we have been able to bring about, it proposes to bring to bear upon some of the problems with which we are and have been concerned, the powers and resources of the States. It would unite the States much more firmly in support of regional development, and reinforce their commitments to joint endeavors. Presumably the proposed authority could and would require greater cooperation of agencies of State government on a regional basis than the council's persuasions have been able to achieve.

"In addition to the above, the compact expresses an intention to secure larger allocations of Federal funds to New England, and to bring about greater activity of Federal agencies in the region than has characterized the Council's policies and objectives."

Although the Rhode Island Legislature promptly and unanimously ratified the compact, rejection by one State under its terms nullified the entire undertaking, and Vermont, by a fairly close vote, rejected it shortly thereafter. A resolution adopted by the Ninth Eastern States Conservation Conference proposed later in 1949 that an effort be made to redraft the terms of the compact.

As has previously been mentioned, all six New England States have State government-sponsored industrial development agencies of varying types. Not empowered to provide financing, they work both independently and with private and community development corporations, and carry on research, surveys, and promotion. Maine in 1951 and New Hampshire in 1952 also put statewide development corporations

into operation to provide financial assistance in the form of venture capital or long-term credit to new and small manufacturers on a statewide basis. Proposals to establish somewhat similar agencies under State government auspices in Massachusetts and Rhode Island were defeated in their respective State legislatures in 1952. This year, a privately financed industrial development corporation is certain to be established in Rhode Island under bipartisan support in the State legislature, and a revitalized State department of commerce is being studied by the Massachusetts Legislature, as well as the Governor's recent recommendation for a State-sponsored credit development corporation.

Mr. KENNEDY. Mr. President, in passage of a bill enabling the establishment of regional industrial development corporations may be the most important step we can take to maintain and improve the growth and vitality of our national and regional economies.

TAX AMORTIZATION INCENTIVES

Mr. President, there is a second important way by which the Congress can take action to stimulate the expansion of commercial and industrial activity in the declining companies, industries, and communities in New England and the United States. This is through the enactment of Federal income-tax legislation which would provide incentives for new activity, expansion, and modernization. All of us recognize that the high-tax levels under which we now exist are not the most desirable for small business, investments, or new enterprises; and I shall discuss the desirability and means of effectuating general tax reductions, when possible, in a subsequent part of this series. I wish to speak now of a particular part of our tax laws which can be used with a most beneficial effect upon these problems of which I speak. That is the part relating to the depreciation or amortization of new plants and equipment.

The Revenue Act of 1950 permits the portion of the cost of facilities attributable to the defense program, after allowing for postemergency usefulness and other factors, to be written off for tax purposes over 5 years instead of the normal depreciation period. This provides a great incentive for the construction of such facilities because of the high deductions permitted during these times of high tax levels. The effect of this 5-year amortization is to allow a quick tax-free recovery of capital to those engaged in defense production who may otherwise face the possibility of a postwar loss in the value of plants and equipment currently deemed necessary to the defense effort. As of December 1952, a total of 15,000 applications for facilities valued at $25 billion had been certified for rapid amortization, of which $14.5 billion was permitted a fast write-off. A large portion of such expansions is for the purchase and installation of new machinery and equipment, which is so badly needed in the textile mills of New England and in other industries and areas. Similar programs have been used during World Wars I and II. During World War I, an estimated $650 million worth of facilities were granted these privileges and during World War II, certificates of necessity were issued for a total of $7.3 billion of which about $5.7 billion were reported for tax purposes.

As a means of further stimulating for civilian purposes new investment and modernization of plant, a necessary prerequisite for continued economic growth in all parts of the country and particularly in New England, it is my intention to introduce legislation to provide similar tax amortization incentives to industries expanding in labor surplus areas and to older industries seeking to replace and modernize equipment. Permit me to discuss briefly each of these proposals:

With respect to the proposal that such incentives be given to those business concerns expanding existing facilities or locating new facilities in labor-surplus areas, a proposal which Secretary Durkin and the Office of Defense Mobilization are initiating on a limited scale, one must first think of the vicious circle of fear and inertia which strikes down the investment opportunities in an area hard hit by recession and unemployment. Psychologically, a town with large empty plants with broken windows and rusty padlocks, and with large numbers of idle men roaming the streets, is not looked upon as the ideal location for new business expansion. Such scenes raise fears, not only of the present, but also of the future. Some special inducement is needed to provide new investment or new industries or new machinery in such a community. Our experience during World War II and at the present time with the 5-year amortization program shows that a powerful stimulus is provided by accelerated amortization. The investor or prosperous businessman sees a chance of getting his investment back over a short period of time and is willing to take a chance he might otherwise be loathe to take. The businessman whose own concern is in a slump has no income against which to write off the extra depreciation, and finds it better to defer depreciation deductions. However, where his slump is only temporary, as is frequently true in the seasonal fluctuations of the textile and other industries, the deficit created by such large depreciation allowances for expanding his productive capacity would create a net loss for income-tax purposes which, under our present tax laws, may be set off against the income of the previous year and tax refund obtained, or carried forward and set off against the income of the 5 succeeding years. Thus, new firms and new commercial operations would be attracted to distressed areas.

To direct such incentives toward the needs for new or expanded industrial activity in labor-surplus areas would confine their use, and the subsequent loss of revenue to the Federal Government, to those areas where the need is greatest and where the Federal and State governments are losing revenues or otherwise being harmed by lack of employment opportunities. Clearly, such a law would need to be most carefully drafted. The primary purpose of such incentives, which are actually a form of Federal assistance, should be to stimulate industrial activities in labor-surplus areas; and not to prop up industries whose decline is inevitable because of technical obsolescence or other reasons; to bail out failing industries who have negligently failed to keep pace with developments in their own field; or to encourage local industries to postpone investments until their area becomes one of labor surplus.

With respect to the second recommendation that the Internal Revenue Code be amended to provide tax amortization incentives to older industries or concerns seeking to replace or modernize equipment, much of what is said above, likewise is applicable. A method by which this may be accomplished, provided adequate safeguards are established, and which I commend to the Joint Committee on Internal Revenue Taxation for consideration, is to permit a business to set aside during prosperous times tax-free depreciation reserves which could be used during depressed times for expansion or replacement of old equipment.

Because of the serious need for technological improvement and modernization in the textile and other industries in New England, the Committee on the New England Economy recommended in its report that the Congress, along with the Bureau of Internal Revenue "review the problem of asset depreciation for the purpose of making tax revisions that would stimulate industrial plant and machinery modernization by older concerns, whether or not they are directly engaged in defense work." The textile committee report recommended more specifically that some such tax incentives be provided as a stimulus to the construction of new plants and machinery, which would be "especially helpful for an older region which tends to have excessive numbers of outmoded plants and equipment." The textile industry is being completely changed by new machines and new products. New England's woolen and worsted industry in particular faces competition from new fibers and processes. Cotton, too, is being pushed aside by the so-called miracle blends. New precision machinery, automatic winding, quality testing, electronic controls and new plants generally are needed if the individual company is to stay economically healthy. But such million-dollar investments require the encouragement of a tax program such as this. The cost of replacement may be several times the value of existing machinery. Present Treasury depreciation allowances of 25 years for spinning and weaving machinery, for example, do not provide any encouragement. With such a program as I have outlined, it would be necessary to devise methods to prevent investment from being accentuated in times of prosperity, but abnormally decreased during hard times.

I have long believed that tax amortization or depreciation incentives for private enterprise were a beneficial means of bringing economic expansion through private investment, production, and employment. The Senator from Indiana [Mr. CAPEHART] and many other Senators have been pressing for similar action. Nearly 4 years ago, I introduced a bill providing for such incentives with respect to the development of facilities which added to or improved the efficiency of this Nation's productive capacity.

Since World War II, Canada has had particularly favorable results from its policies of granting special depreciation allowances for new investment. Proposals of this nature have been suggested and under study for a great many years, as the Treasury rulings became more complex, less realistic, and the cause of unnecessary redtape and litigation which plagues small-business men in particular.

I am hopeful that on the limited basis respecting labor-surplus areas and the outmoded equipment of older industries, a program of tax-amortization incentives may be begun shortly.

JOB RETRAINING

The next step, Mr. President, in aiding the diversification and expansion of industry in the problem areas of New England and elsewhere is the establishment of an adequate program of job retraining.

On March 24, of this year, the Massachusetts State Division of Employment Security announced that it had 8,000 job opportunities open, but could find few qualified takers among the 40,000 persons drawing unemployment-compensation checks.

The Department of Labor has recently pointed out in a memorandum to my office that among the many measures that should be taken to rehabilitate areas of unemployment, training and retraining of the work force are of prominent importance. The skills available in an available work force may be a deciding factor, and certainly should be a major inducement, in an industry's decision to expand or establish in the area. Most areas of unemployment have a skilled work force, however, that is not automatically adaptable to the activities that can be expanded in the area. There is urgent need for assistance in these areas for a job training or retraining program to convert or adapt the skills of the work force to the requirements of the new activity. To initiate a program of this nature requires funds and facilities not readily available in areas hard-hit by unemployment. Present Federal programs do not directly meet this problem, and the need for their improvement was pointed out by President Eisenhower in his opening message to Congress.

Although job training programs would be facilitated by the work of regional industrial development corporations, as already mentioned, the best legislative approach for provision of such a program would be through amendment of the present basic vocational education laws, primarily the George-Barden Act. The funds appropriated under this law are presently allocated on the basis of State population. It is my intention to introduce legislation expanding the authority of such programs, and providing for special allocations to job retraining programs in labor surplus areas. Provisions should also be included for establishing training facilities and equipment where such training resources are not available. Financing would continue to be on a matching basis with the State, in order to insure local responsibility, and whenever possible the particular industry involved should be encouraged to underwrite at least partially some of the cost of training if facilities are made available. Such special training programs would be geared to the needs of a particular industry after a firm commitment by the industry is made to establish a plant in that area when a specified number of skilled employees are available. Such training would start with the breaking of ground so that the work force would be ready upon completion of the plant. All available trained personnel, including older workers, women and handicapped workers, and minority groups would have their skills utilized by a realistic training program tailored to actual needs. The funds necessary for such a program, now being encouraged under Defense Manpower Policy No. 5, would be more than repaid by the resulting decrease in unemployment and relief payments and increase in purchasing power and taxable revenues.

Such a job retraining program, which would provide specific authority and facilities for this important work, is essential to the fullest utilization of our manpower.

AIDS TO SMALL BUSINESS

The next step, Mr. President, in aiding a diversified and expanding economy is, I believe, aiding small business. New England, which has a higher proportion of independent business enterprises employing less than 500 persons than any other region in the United States, is particularly dependent for its economic growth upon such small businessmen. They are the lifeline of our free competitive economy and our total national product. During World War II, 32 percent of this Nation's defense production came from small business. During the first 3 months of this year, loans to New England firms through SDPA-RFC facilities enabled small business production of such items as weapon parts, jet engine parts, military snowshoes and bomb parts; and certificates of competency enabled defense procurement contracts to go to small New England firms making raincoats, metal parts, webbing, cable, and cotton overcoats. Only through full and free competition can free markets, free entry into business and opportunities for the expression and growth of personal initiative and individual judgment be assured. It is proper that the resources of the entire United States acting through the Congress and the Federal Government be utilized to encourage and develop our small business enterprises and preserve and expand the competition which is so basic to our economic well-being.

In a growing economy, it is the small businessman who so frequently leads the way with new products, new enterprises, and new job opportunities. We should neither give unfair advantages to small business nor condemn big business. But small businessmen, in an economy which has become not only tremendous in its size but dominated by giants in particular industries, are in need of help simply to obtain equal opportunity to exist and compete. They need long-term loans and equity investment, technical assistance, consultative managerial services, availability to new research techniques and a fair share of Government contracts.

Specifically, experience has demonstrated that an expanding competitive economy is in need of two types of different Federal functions or agencies aiding small business: First, a source of long-term loans; and secondly, a source of technical assistance, both in production and in utilizing the opportunities presented by Federal contracts and facilities. Such functions could be combined in a single independent agency along the lines of the Small Business Administration proposed by the able chairman of the Senate Committee on Small Business [Mr. THYE] and recently endorsed by the New England Smaller Business Association; or they could be carried out by two separate, independent agencies working along lines similar to the tasks now performed by the RFC and the SDPA. I would like to discuss the work of each of these agencies very briefly.

Since its initiation under Herbert Hoover over 20 years ago the RFC has made 126,835 loans for a total of about $13 billion. More than 90 percent of RFC loans are small-business loans, amounting to less than $100,000 each. By making credit available through the RFC on sound credit terms we have been able to assist our small and independent businessmen to put their concerns on a sounder financial basis, to expand their developments, or to convert their plants to urgently needed defense activities. These needs of small business are not being met by any other Government agency or any private source. I have been in touch recently with a large number of Massachusetts firms whose valuable contribution to our economy and defense effort was made possible by RFC loans after they could not obtain financing elsewhere, particularly in their formative or temporarily distressed years prior to their establishment of an earning record attractive to private financing. According to the National Planning Association report, between January 1948 and March 1952 business loans in excess of $164 million were authorized by the RFC for New England, 5.2 percent of the national total. The same study indicated that it was long-term loans for small firms for which the greatest need existed unfulfilled by private sources; that "capital investment in New England must be larger if the region is to maintain or increase its competitive strength"; and that the RFC was making an important contribution to the financing of many middle-sized New England companies.

Of course, corruption and abuses in such an agency must be curbed; and, of course, its functions which are no longer necessary should not continue. But it is absolutely essential to the vitality of our national and regional economies that the Federal Government continue to make possible a source of capital to our small-business men. The RFC lends money only to those who could not get the funds from private sources, and its impressive record of repayment is due to the caution with which application for such loans is accepted. To replace this independent agency by a unit in some other department of the Government, as has been proposed, would be to turn the problems of small business over to an insignificant and unsympathetic

bureau more concerned with other duties. Instead of being abolished, the RFC needs a liberalization of its lending facilities to enable more long-term loans to new and growing enterprises, not merely rescue-type loans.

Surely it is not economy to liquidate an earning organization. In the two decades of its existence, the RFC has paid a billion dollars into the Federal Treasury, including its initial capital of $100 million and its earnings on loans and liquidations of assets. It pays interest on the money it borrows from the Treasury and gets no appropriation from the Congress to pay its employees or other of its operating expenses. It is an entirely self-sufficient Government Corporation which pays a net return back to the United States Treasury. Whether it be in the form of a reorganized RFC or a program of regional banks, an independent agency for loans which small business cannot obtain elsewhere is an absolute necessity for a strong and growing economy.

For the same reasons, this country needs an independent agency—and I stress the word "independent"—to handle the problems of small business with respect to Government contracts and technical assistance. The experience of the Small War Plants Administration when placed under the Department of Commerce, and the lack of accomplishment of the so-called Small Business Unit of that Department may be contrasted with the operations of the Small Defense Plants Administration during its first full year as ample demonstration of the need for such independence. In proposing a permanent, independent small-business agency to be known as the Small Business Administration, which would broaden the scope of the Small Defense Plants Administration to include other than strictly defense activities, the Senator from Minnesota [Mr. THYE] stated:

> Our experience with the Small Defense Plants Administration has taught us how effectively a small agency organized efficiently can be in seeing that small business gets serious consideration in the formulation of Government policies.

The record of the Small Defense Plants Administration, is more than paying for itself through the savings to the Government on defense bids, and in aiding on the meager scale permitted by its appropriation the fair distribution of defense contracts to small-business men, is ample evidence of the continued need for such an agency. The Smaller Business Association of New England during its January 1953 monthly meeting discussed this record, determined that the SDPA had accomplished a great deal of real help for small business in the New England area, and that these accomplishments far outweighed the small cost to the Government. The association unanimously adopted a resolution that "in view of the consistent, dynamic, effective record of the aid to small business of the Small Defense Plants Administration, the Smaller Business Association of New England feels strongly that this agency should be continued."

During 1952 the Small Defense Plants Administration helped 300 smaller firms secure defense expansion financing; aided in the establishment of critical materials hardship reserves which aided 1,000 firms; assisted in the formulation of 21 small-business production pools covering 500 firms; issued hundreds of technical and managerial assistance materials; certified the competency of 45 smaller firms to work on defense contracts; and secured the earmarking of $218 million of defense contracts for individual firms. In my own State of Massachusetts, it has recommended 19 loans totaling close to $3 million; and granted 5 certificates of competency enabling the awarding of contracts worth nearly $1.7 million. Eighty-three percent of the loans it has recommended have gone to companies employing fewer than 100 persons. The agency has the overwhelming support of the small business community in this country, from whom it has been estimated have come over 110,000 various requests for assistance. It needs more support from Congress and a strengthening of its authority. Small business needs an independent advocate in the executive branch of the Government. Unless the vital importance of small business in our economy is fully recognized in Government policies and operations, we will be unable to prevent the deterioration of small business and competitive enterprise in our national economic structure.

At this time, I would like to congratulate the members of the Senate Select Committee on Small Business and urge that they continue their active and vigorous work along these lines. Only by protecting and aiding the small and independent enterprises of this Nation, and this is particularly important in New England, can we expect to strengthen our economy for years of either mobilization or recession.

I am hopeful that the Congress will not permit the small business functions of either the RFC or the SDPA to expire, but will instead strengthen and expand those activities in either one or two independent agencies protecting the interest of small business.

NATURAL RESOURCES

The next important step in the expansion of commercial and industrial activity in New England is the fullest utilization of our natural resources, including the development of hydroelectric power and flood control and prevention of water pollution. The importation of natural gas, the wise management of our forests and other items which are of importance to the New England economy come within the heading of natural resources development, but they are not at this time, in my opinion, questions for congressional consideration.

Proper utilization of our water resources, on the other hand, necessarily and properly requires at least some participation by the Federal Government. This is true for several reasons. A part of New England falls within the St. Lawrence watershed and another part faces Passamaquoddy, which are international in their effects. Part of New England is in the watershed of rivers lying entirely outside New England, such as the Hudson, of New York. Our great rivers, such as the Connecticut and Merrimack, are interstate, on which neither the individual States nor a regional compact can act with the same flexibility or authority as Congress. State laws, such as the Fernald law of Maine, restrict interstate development by those other than the Federal Government. Such a law may seem desirable where power development is on a catch-as-catch-can basis; but with a comprehensive plan for development of the region's natural resources, the necessity for such a law as the Fernald law will cease to exist. State actions are almost inevitably hamstrung by the veto power of one or more men temporarily in office in a single State. Indeed, various State commissions and interstate conferences have tried unsuccessfully for over 25 years through legislative resolutions to have action taken. Navigation and interstate commerce which are part of any major river basin development, are constitutionally within Federal jurisdiction. The long-term billion dollar capital necessary to replace our obsolete installations, and the authority necessary to construct multipurpose projects, are not available to private or even State groups, nor do they make good business risks. Finally, the Federal Government has a role in the water-resources development in New England because such development is a Federal problem; because the pollution of our streams affects the health of the Nation; because the destruction caused by our floods impairs the productivity and safety of our Nation; because the lack of an adequate supply of low-cost power in one region affects the products it buys and sells to others.

The Federal Government has made tremendous expenditures for the development of the water resources of other areas of this country and indeed of other countries. Its expenditures for such purposes in New England, whence a large share of the tax funds supporting such projects have come, have been almost nil. For example, of the 156 hydroelectric-power developments in the United States, not a single one is located in any of the six New England States. I fail to see any basis for disagreeing with the conclusion of the Report of the Committee on the New England Economy, which, I believe, has stated a principle upon which all New England should unite:

> In those cases where multipurpose projects will provide for the development of our resources, including waterpower, at a lesser cost than would a series of alternative single-purpose projects, the multipurpose projects should be developed. * * * Since the social costs and social gains of multipurpose water-control development are beyond the immediate commercial interest of private enterprise, and especially since waterpower projects, not otherwise feasible, may be provided through multipurpose projects, we think it likely that community welfare in the long run will be found to require cooperative efforts between Federal and State governments, on the one hand, and private enterprises, on the other.

Federal projects are not, and cannot be, an adequate solution to New England's power problems in themselves; but I believe that the principles stated by the Committee on the New England Economy amply demonstrate that the

development of hydroelectric power may properly include participation by the Federal Government. It is simply a matter of interest for New England communities and New England industries, of reducing the drudgery of the New England housewife and farmer, of saving consumers and businesses millions of dollars in electric bills which could go for higher wages and better living. It is simply a matter of the Federal Government taking action where, as stated earlier, the States are not equipped to take such action either alone or jointly. Waterpower, decades ago, made New England great; but I know of no study of the New England economy, including those conducted by private business groups or which interviewed industry leaders, which has not indicated that the high cost of power is at least one factor which today hampers the economic growth of our region, encourages at least some industries to move to other areas, and discourages others from locating in New England.

The recent report of the New England Governors' Committee on the Textile Industry pointed out that the higher power costs and relatively small development of hydroelectric power were among the many factors causing the decline of the textile industry in New England and in the lack of new industry. According to the Arthur D. Little Survey of Industrial Opportunities in New England, this region's higher power costs are a factor in the selection of industrial opportunities. Specific industries pointed out by the report which normally require large amounts of power include groundwood pulp, newsprint, electrochemical products, electrolytic products such as tin, aluminum, and magnesium, and materials made in electric furnaces such as alloys and abrasives. Consumption of power in New England is less for the housewife as well as the manufacturer, and the Little report points out that lower cost power, by stimulating domestic consumption would also have secondary effects on the demand for electric appliances. The Committee on the New England Economy also discussed the effect of high-cost power on New England's inability to attract certain industries. Some members of the Senate will recall the evidence presented in the investigation of the abandonment of the Textron Mills of Nashua, N. H., in which the Textron representative emphasized the large difference in power costs, which, among other things, motivated his move from New England. To locate the cotton mills of the South in New England, he stated, would cost an additional $27 million in power costs.

Census figures show costs of power per unit to be 52 percent higher in New England than in the country, 80 percent higher than in North Carolina, and 246 percent higher than in Tennessee; and if the proposed limitation on the importation of residual oil, which I have vigorously opposed is enacted, the cost will be even higher. Thus, in woolens and worsteds, the weighted average cost of purchased electric power in Massachusetts and Rhode Island was 75 percent in excess of the weighted average in the Carolinas and Georgia.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. KENNEDY. I yield.

Mr. MORSE. I am asking my question only for information. First, however, I wish to compliment the Senator from Massachusetts for delivering what I believe, from the standpoint of careful analysis and penetrating content, is one of the most able speeches I have listened to during this session of Congress, and I congratulate Massachusetts for the able presentation of the New England problem as set forth in the Senator's very enlightening treatise.

Mr. KENNEDY. I thank the Senator very much.

Mr. MORSE. The Senator's discussion of the power problem and the figure which he has cited, if I understand him correctly, namely, that the cost of electric power is 52 percent higher in New England than in other areas of the Nation, causes me to ask for information. Are there not in New England sites where substantial multipurpose hydroelectric dams could be built, which would produce not only power but which would be of assistance, as the Senator has suggested, in the matter of flood control and possibly with respect to agriculture, too, somewhat comparable to some of the multipurpose dams which have been built by the Federal Government elsewhere in the country?

Mr. KENNEDY. Mr. President, in answer to the Senator's question, I would say, yes; I believe there are such sites available. Obviously, our water resources are not comparable to those of the Southeast or the Northwest.

Moreover, we have the problem of a comparatively small land area and flooding the land, as well as other problems and difficulties.

I believe that our waterpower resources could be developed to a far greater extent than they are at the present time. We have also other potential resources. I intend to speak briefly about Passamaquoddy and about the desirability of New England sharing in the development of the power resources of the St. Lawrence.

In 1950 there was created by Executive order an interagency survey of the waterpower resources and other natural resources of New England. That survey should be completed before we embark on any major program for the development of our waterpower resources.

It is a source of regret to me that the program, which should have come to fruition in 1952, because of lack of funds has been stretched out to 1954. I understand that under the proposals set forth by the new administration, the program will be further stretched out until 1955. So there will be a further postponement of the development of our resources. However, I would say that while certainly we do have such resources, they are not on a scale comparable with those in other sections of the country.

Mr. MORSE. Mr. President, will the Senator from Massachusetts yield further?

Mr. KENNEDY. I am glad to yield.

Mr. MORSE. Would I be correct in concluding that the maximum electric power potential of the hydroelectric resources of New England has not been developed, and that with some Federal assistance, in the building of structures, which would develop the resources, New England would be strengthened as a great potential defense area in case we should become involved in a war?

Mr. KENNEDY. I certainly believe that to be true.

The Senator from Oregon can understand that our problem involves an attempt to help not only industry but also the consumer of electricity. The fact that our cost of power per unit is 52 percent higher in New England than elsewhere in the country, 80 percent higher than in North Carolina, and 246 percent higher than in Tennessee places us at a great disadvantage with respect to industries which have a substantial part of their cost represented by power.

I wish to emphasize two points. First, we do not have, and we can never have, the great waterpower resources which are found in the State so ably represented by the Senator from Oregon. I believe New England itself is partly to blame for the situation, because consistently groups in New England, which have exerted great influence, have blocked the legitimate interests of people who are genuinely interested in power development. To some degree, therefore, we have only ourselves to blame. But we are moving forward. The interagency survey will give us the best evidence of what can be done. So I hope the survey will be completed as soon as possible, so we may begin to do something about the power problem which is of such tremendous importance.

Mr. MORSE. If the Senator from Massachusetts will permit me to make a brief observation, I wish to say that I happen to be one who believes the development of the electric power potential of our country is essential, not only from the standpoint of our domestic economy, in providing cheap power in every region of our country for the development of our domestic economy, but also from the standpoint of the national defense.

I wish to say to the Senator from Massachusetts, as I have said to other Senators in the past, that it does not make a bit of difference to me where the power project is located. As the Senator from Massachusetts has indicated, we are dealing not only with a regional problem but also with a national problem. The development of the maximum electric power of New England helps not only New England but the Nation as well. I shall vote for any project for the development of the maximum electric-power potential of any stream in America, wherever it may be located, whether in Massachusetts, New Hampshire, Florida, Arizona, or any other State, provided it is sound from an economic and engineering standpoint, because I happen to be one who feels that providing the American people with the greatest amount of cheap electric power is vital to the expansion of our economy.

Mr. KENNEDY. I thank the Senator very much for the interest he has shown.

Mr. HOLLAND. Mr. President, will the Senator from Massachusetts yield for a question?

The PRESIDING OFFICER (Mr. LONG in the chair). Does the Senator from Massachusetts yield to the Senator from Florida?

Mr. KENNEDY. I yield.

Mr. HOLLAND. I wish to compliment the distinguished Senator from Massachusetts. I believe he is rendering a fine service not only to his region but also to the Nation, for I am one of those who feel that the Nation is no stronger than all its regions, and that difficulties which affect any region, to the same degree impair the strength of the Nation.

I desire to say to the Senator from Massachusetts that I particiularly approve of what he has said with reference to his desire that New England share more generously and more actively in the program of Federal public works.

I have served now for approximately 6 years on the Senate Committee on Public Works. I believe there has been no New England Senator upon that committee until recently, when one of the new and able Senators from New England did go upon the committee. We repeatedly have had before us the subject of waterpower.

I have always felt there was a missing value there, that New England needed to realize; and I have been somewhat nonplussed by the very factor the Senator from Massachusetts has just mentioned, namely, that in New England itself there has been diversity of opinion as to the need for the development of its waterpower. I believe I am correct in saying that the State in New England which has the largest potential amount of waterpower has State laws preventing the development of waterpower for use beyond the borders of that State.

I believe that our Public Works Committee has great potentialities of serving every State and every region and the Nation as a whole; and I hope the Senator from Massachusetts will assiduously pursue that particular part of his suggestion, because I believe there is great merit in his contention that New England had not adequately insisted upon its full part, and has not received its full part, of betterment in connection with the program of resource improvement in the field of the production of hydroelectric energy.

The most heartening thing I have seen in this field in recent years is the recent compact between the States of Vermont, New Hampshire, Massachusetts, and Connecticut, relative to control of the flood problems of the Connecticut River, which indicates that those States have gone a long way toward doing their full part not only in cooperating with each other, but also in making it possible for the Federal Government very properly to help solve that problem in a much fuller way than it has done heretofore.

I want my friend, the Senator from Massachusetts, to know that the problems of which he speaks affect the prosperity of every part of the Nation. For instance, many of the fine people who now live all the year around in our State of Florida formerly lived in New England; and they are among our very best citizens. Every year we are honored by having tens of thousands of persons come to our State from New England When prosperity in New England is great, a greater number can come; when prosperity is less, a smaller number can come. So we are affected in a very direct way by the prosperity of New England.

Moreover, we love to go to New England, and we love to find New England prosperous when we go there. We regard New England as one of the fountain sources of freedom in our country.

Certainly every section of the Nation, as represented in Congress, will be delighted to do everything within its power in collaborating in the public-works program the Senator from Massachusetts has mentioned.

Mr. KENNEDY. Mr. President, I appreciate the statement the Senator from Florida has made. In that connection let me say, for instance, that I believe the expenditure of funds for the Tennessee Valley Authority has perhaps been objected to by some persons in New England. Yet that development has helped contribute to the prosperity of New England, as well as to the prosperity of other parts of the Nation. So it is important that there be adequate development of all our regions.

I hope some of the statements we are making today will stimulate some unanimity of agreement on the point the Senator from Florida has made. I certainly appreciate his statement.

Mr. President, when I examine the chart published by the Federal Power Commission, showing typical electric bills in 1952 in cities of 50,000 population and more, I am dismayed to compare the low bills of the communities at the top of the list—in areas competing with New England, and for which New England tax funds in many instances have built hydroelectric projects—with the bills, more than twice as high, paid by the housewife and the businessman living in the communities at the bottom of the list, which consist almost entirely of Massachusetts and Rhode Island cities. Development of hydroelectric capacity in Maine, on the St. Lawrence, and in other New England areas would lower our cost, without damaging the rights of private utilities. On the contrary, private utilities have much to gain from such development. Both the supply of power and the stimulation offered by its distribution have given to private power companies in areas aided by Federal hydroelectric developments higher profits than those now enjoyed by New England utilities. Massachusetts is not Montana; we cannot flood huge acres of valuable and scarce land for water-development purposes; nor can the Federal Government replace the farmer, the housewife, the industrialist, the municipality, or the private power company in their important roles in the development of our water resources. But where the people find it necessary to act through their national representatives in order to provide for the most efficient utilization of such resources, I am hopeful that the interests in New England who have long opposed any such activity on the part of the Federal Government will realize the wisdom of such Federal Government activity. We have many studies of New England's need for power development. The completion of the present New York-New England Survey should provide us with a comprehensive program to meet those needs.

There may be disagreement as to the importance of the cost of power to New England industries, partly because the high cost has necessarily resulted in the establishment in New England of industries which do not require as much power. There may be disagreement as to the importance of hydroelectric power, although steam generating plants suffer from the high cost of fuel and its transportation to New England. And there may be disagreement as to the amount of undeveloped water power in New England. Nevertheless, as stated by the Committee on the New England Economy—

> To the extent that cheap hydroelectric capacity can be developed and properly marketed * * * it will serve to hold down the level of rates and help to keep the spread between New England and national power costs from widening further.

Practically every New England Senator has endorsed one or more Federal projects or otherwise has recognized New England's needs for more adequate lower-cost hydroelectric power. Several items, not exclusively dealing with power, need our immediate attention.

INTERAGENCY SURVEY

As the first step, I urge the continuation of adequate appropriations for the Interagency New York-New England River Basin Committee surveying the land and water resources of New England. I think it would be ill advised for me or others to recommend any program for comprehensive resources development in New England until this intensive survey is completed. I think it would be equally ill advised for the administration or Congress to deny to this study committee the funds necessary for the full and prompt completion of its survey.

In order to give the people of New England and New York at the earliest possible date the most comprehensive view possible of their resources and how they can serve them, every effort should be exerted to make certain that the administration and the Congress provide the necessary appropriations for the New York-New England Interagency study.

Mr. President, I ask unanimous consent to insert in the RECORD, at this place in my remarks, my statement before the House and Senate Appropriations Committees, on appropriations for the Interagency Survey.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR JOHN F. KENNEDY ON APPROPRIATIONS FOR THE NEW ENGLAND-NEW YORK INTERAGENCY SURVEY, MAY 15, 1953

Mr. Chairman and members of the committee, I appreciate very much the opportunity to speak before your committee in behalf of the restoration of funds for the New England-New York Interagency Survey, in particular those allocated to the Army Corps of Engineers. This survey is to enable the first comprehensive understanding of the potential development, utilization, and conservation of the land and water resources of New England and New York. The subjects under study include agriculture, drainage, fish and wildlife, flood control, mineral resources, navigation, beach erosion, pollution control, power, public health insect control, recreation and water supply.

The fullest utilization of our natural resources is an important step in the expansion of commercial and industrial activity in New England—an expansion that is sorely needed to offset problems resulting from industry dislocation and migration. For several reasons well known to this committee, proper utilization of our water resources necessarily and properly requires at least some participation by the Federal Government. Although the Federal Government has made tremendous expenditures for the development of the water resources of other areas of this country and indeed of other countries, its expenditures for such purposes in New England, whence a large share of the tax funds supporting such projects have come, have been almost nil. For example, of the 156 hydroelectric power developments in the United States, not a single one is located in any of the six New England States. Yet higher power costs and relatively small development of hydroelectric power are among the many factors causing the decline of the textile industry in New England and the lack of new industry.

We have many studies of New England's need for resource development. The purpose of the New England-New York Interagency Survey is to provide us with a comprehensive program to meet those needs. In the past, there have been a number of piecemeal studies of our New England river basins, but they have been limited to particular problems or particular rivers.

I think it would be ill-advised for me or others to recommend any program for comprehensive resources development in New England until this intensive survey is completed. And I think it would be equally ill-advised to deny to this Survey the funds necessary for the full and prompt completion of its study. As you know, this committee consists of representatives of the Army Corps of Engineers, the Federal Power Commission, the Department of Interior, the Department of Agriculture, the Department of Commerce, the Federal Security Agency, and each of the seven States involved. In addition, the cooperation and contributions of local agencies, civic organizations, and private individuals interested in resource development have been encouraged. The committee was established by Presidential directive of October 9, 1950, and was based on provisions of section 205 of the Flood Control Act of that year. The single comprehensive report to be prepared of the coordinated findings of the committee's various report groups and subcommittees is now scheduled to be submitted to the President at the end of the 1954 fiscal year—a lack of funds having postponed this completion date 2 years.

The 1954 budget now under consideration contains requests for funds for the completion of this study in the various department and agency budgets. The appropriation for fiscal 1954 to the Corps of Engineers for their work in the interagency survey which was anticipated to be $1,200,000, has been reduced in the revised budget to $710,000. In comparison, the total amount in the printed 1954 budget for the entire survey (Army, Department of Commerce, Federal Security Agency, Federal Power Commission, Department of Interior and Department of Agriculture) of $1,762,309 has been reduced in the revised budget to $1,107,463. It is evident from these figures that most of the reduction has been made in the proposed appropriation for the Corps of Engineers, the agency carrying out a specific directive of Congress. The Assistant Chief of Engineers for Army Civil Works informed me this morning that this cut in funds will delay completion of the study still another year until 1955.

What sort of economy is it that refuses to permit a completion of a limited task and requires all personnel involved to keep on this job for an unnecessarily long time. A reduction in an appropriation of this type is not an economy, for although the annual appropriation will be reduced, the total cost of the job will in all likelihood be increased. This situation results from the fact that inadequate funds force delaying completion of the project without actually reducing the overhead. Key personnel, who have been assigned a specific job and will finish it if it takes 10 more years, are continued throughout the whole survey. If an adequate amount were made available promptly, the whole survey could be rapidly completed and the results would be made available not only to the Federal agencies involved, but to the seven States that are vitally concerned with the sound development of their resources. This drag-out procedure of the Federal Government forces the States also to delay and prevents them from effecting economies which could be made through rapid completion of the study. I am convinced that such a study is not a luxury at a time when our mobilization economy requires the fullest utilization of our resources. It is not a matter which should be returned to State and local or private interests, if an effective and comprehensive study is to result.

PASSAMAQUODDY STUDY

Mr. KENNEDY. Mr. President, a second and more specialized study is likewise of great importance to the New England power picture. Senate Joint Resolution 12, introduced by both of my colleagues from Maine [Mrs. SMITH and Mr. PAYNE], calls for a survey by the International Joint American and Canadian Commission to determine the cost of construction of the Passamaquoddy tidal power project in Maine and New Brunswick; to determine whether or not such cost would allow hydroelectric power to be produced at a price that would be economically feasible; and to determine what contribution such a project would make to the national economy and the national defense. This joint resolution is the latest in a series of joint resolutions, bills, reports, petitions, messages, International Commission studies, and Federal Power Commission actions which, since 1924, have been concerned with the power utilization of the tides of Passamaquoddy Bay. Senators and Presidents of both parties have been interested in the development of the Passamaquoddy. It has been more than 10 years since the Federal Power Commission made its report questioning the efficiency and the marketability of power produced from an American project, but leaving open for further study the feasibility of an international project, with the words:

> The events seem certain; the only uncertainty is in point of time.

In 1950, the International Passamaquoddy Engineering Board reported to the International Joint Commission that the project could be physically engineered, constructed, and operated, but that the information available was not adequate to determine its economic feasibility. In May of last year, the Army Corps of Engineers made a supplemental report reducing the estimated costs of necessary investigations, due to new equipment which is now available.

The Senator from Maine [Mrs. SMITH] has stated in her bills that such a project is desirable for the purposes "of preventing future power shortages in the State of Maine and all of New England; for the development of large quantities of dependable low-cost electrical energy and for the stimulation of industrial growth and development in the area and throughout New England. The strategic importance of this section of the country to our national defense makes imperative ample quantities of low-cost power. Power shortages such as developed in this section during the winter of 1947–48 have seriously interfered with the productive capacity in the area and tend to discourage the establishment and growth of industries."

I cannot, of course, offer any technical judgment as to the feasibility of this project; but I cannot help but agree with the Senator from Maine [Mrs. SMITH] as to the need for such power if it could be economically developed. The most recent Federal Power Commission report on additional hydroelectric power which is possible of economical development at New England sites lists 400,000 kilowatts from the International Passamaquoddy project. If such a project is or will become practicable, Congress cannot afford to say that it was unable to support a timely study of the project.

Legislation calling for an intensive study of the Passamaquoddy project is essential to our resources development.

ST. LAWRENCE POWER

One other item of importance in the New England power picture is not dependent upon completion of the interagency study. I refer to the contemplated hydroelectric power development on the St. Lawrence River. Although Congress has before it measures which propose the inclusion of provision for such a project in Federal legislation in connection with proposals for the St. Lawrence seaway, the matter is also before the Federal Power Commission, upon application by the State of New York. At this time, the latter appears to be the most likely basis for approval of such a project. Nevertheless, I do not feel that Congress can abdicate its interest in this matter. It is important that the Congress as a whole and individual Senators and Representatives from the States concerned make certain that the project is developed in accordance with national policies and to serve best the national interest.

I have set forth my views concerning the St. Lawrence power project, including a general summary of New England's power needs, in a statement filed with the Federal Power Commission on February 19 of this year. At this time, Mr. President, I ask unanimous consent that a copy of this statement be inserted at this point in the RECORD, as a part of my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR KENNEDY, OF MASSACHUSETTS, FOR CONSIDERATION BY THE FEDERAL POWER COMMISSION, SUBMITTED FEBRUARY 19, 1953

I wish to record with the Commission my views relating to the pending application of the New York State Power Authority for a

license under the Federal Power Act to construct and operate project No. 2000, a project for the development of hydroelectric power on the International Rapids section of the St. Lawrence River. It is my understanding that interested persons may file briefs and comments on the case at any time prior to February 20. My interest stems from the interest and concern of the people of the Commonwealth of Massachusetts in plentiful and low-cost power for their homes, offices, and plants. If this project is to be constructed, the plan for utilization of the power to be made available therefrom must protect the legitimate interests of New England and Massachusetts.

I wish to stress the importance of including in any license granted a condition effectuating an absolute guaranty allocating to New England and Massachusetts a share of the power to be produced, such share to be based equitably upon the needs of that area; and a requirement that definite interstate machinery be established to give each State proper representation in all decisions affecting the distribution of such power. Only a vague assurance of interstate distribution was given by the applicant during the most recent hearings; and I understand that there are no plans at present for providing in the license for a definite method of determining each State's share. A mere hope or prediction of agreement, with intervention by the Federal Power Commission if agreement is not reached, is not sufficient to satisfy our concern; nor is an applicant's unenforceable pledge. The Governor of Massachusetts on October 30, 1952, filed a formal protest with the Commission on grounds that our Commonwealth's interests would not be protected by the issuance of this license. If such license is to be issued, and is not governed by presently pending legislation, I strongly request that it contain, in connection with and in addition to a condition for fair distribution based upon need, provisions for formal interstate machinery whereby the States concerned will be properly represented in all decisions respecting the allocation of this power. Such decisions include, if not the construction of the project, defining the market area, making arrangements for power transmission, and allocating power to industries, localities, and public and private utilities. Provision should also be made for assuring the availability of a fair share of the power for the municipally owned utilities in the region, of which there are 40 in Massachusetts, in a manner consistent with traditional American policies for marketing publicly developed hydroelectric power. Such assurance thus far has not been given by the New York Power Authority in testimony presented to the examiner in this hearing.

The particular needs of Massachusetts and the New England area for low-cost power have not, to my knowledge, been fully presented to your Commission with respect to the present proceedings. It was stated in the engineering report of your Bureau of Power (1952, p. 30) that New England alone—without Maine—could, in the 5-year period from 1956 to 1960, readily absorb the entire output of the proposed St. Lawrence plant. Beyond the statistical summary upon which this conclusion is based are facts of vital importance to the businessmen, workers, housewives and other citizens of this region.

Electric rate surveys of your Commission since 1935 have uniformly revealed that New England has one of the highest overall rates in the United States. FPC charts consistently show Massachusetts cities at the top of the list in terms of amount of typical monthly electric bills. The President's Water Resources Policy Commission found residential consumption of electricity in New England to be comparatively low because families were paying more per kilowatt hour than the rest of the Nation. This means increased drudgery for the housewife and a decreased standard of living for her family. A new supply of low-cost power is of considerable importance to our Massachusetts homes.

Industrial power rates are also much higher than those for the Nation as a whole, according to the Boston Federal Reserve Bank; and as a result consumption is lower in this category as well. The lack of sufficient low-cost hydroelectric power has been cited as at least one of the reasons for New England's economic difficulties—i. e., primarily the movement southward in textiles and other industries, the lack of new industries as a substitute, and a comparative lag in overall economic expansion—by the report of the New England Governors' Committee on the Textile Industry, the report of the Council of Economic Advisers' Committee on the New England Economy, the report of the Special Massachusetts Legislative Commission on the Textile Industry, and a poll of textile and other manufacturers by the Boston Federal Reserve Bank, among others. It has been mentioned as one cause of industrial loss by the Secretary of the Interior in a statement quoted before your Commission by Mr. Gatchell in an earlier proceeding, and by industrialists themselves in surveys or before congressional committees.

As long as industrial power rates continue to be substantially higher in New England than in the Southeastern States or other areas, so long will those New England industries—particularly those such as textiles where power is a more important cost—suffer competitively. And these high power costs directly affect the ability of Massachusetts and other New England States to compete on an equal footing with other areas in the attraction of new industry—so vital to us if we would end our dependence on industries which are now almost permanently distressed. Thus the people of New England, the thousands of unemployed in the mill cities like Lawrence, as well as business and community leaders, are directly affected by the distribution of any low-cost power to be produced on the St. Lawrence.

It is not enough to respond that the power to be available from the proposed St. Lawrence project will only fill a small part of our area's needs; that is but further evidence of the importance of making provision for specific allocation of a sizable portion of such power output to New England, and for definite machinery giving New England its proper voice in all determinations affecting the distribution of such power.

In summary, may I reemphasize that the cost of power is one of several cost differentials between New England and other parts of the United States competing with New England in the attraction of industry. This difference in power costs must be reduced if New England is to expand its commercial development and standard of living on a basis comparable with other areas. If your Commission is concerned, as any Federal agency should be, with the discrimination against New England in the public development of hydroelectic power in the United States—a discrimination due in part to limited potential, but also to our own negative attitude in the past to the development of our natural resources—it is of great importance that you act to safeguard our region's interests in any license granted for the St. Lawrence power project. Such interests can be secured only if our industries and citizens can be assured of an adequate supply of low-cost power, through the inclusion of appropriate conditions in such license providing protection to the rights of the municipalities, a guaranty of a sizable proportion of such power for New England, and definite machinery for equitable participation by the New England States in the determination of questions relating to the distribution of such power.

Mr. KENNEDY. Mr. President, this St. Lawrence project has been under consideration by both United States and Canada for over 30 years, and Canada is ready to proceed immediately with construction of the Canadian half of the project. No longer should this project be tossed back and forth by the Congress and the Federal Power Commission, at the cost of sorely needed, economical hydroelectric power to the people of New England, New York, and elsewhere.

I am very hopeful that the St. Lawrence power project can immediately be constructed, in view of the needs of defense and civilian industry for power, and that the rights of New England will be amply protected in the manner set forth in my statement.

CONNECTICUT RIVER FLOOD CONTROL

It must be emphasized that the comprehensive development of our water resources is not limited to matters of hydroelectric power. Comprehensive development of our rivers necessarily includes flood control; and there is now pending before Congress Senate bill 261, introduced by the Senator from Vermont [Mr. AIKEN], for the 8 Senators of the 4 States concerned. That bill would grant the consent and approval of Congress to the Connecticut River Flood Control Compact.

Mr. President, I ask unanimous consent to insert in the RECORD at this place in my remarks my statement on this compact given before the Senate Public Works Committee.

The PRESIDING OFFICER. Is there objection?

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR JOHN F. KENNEDY BEFORE THE SENATE PUBLIC WORKS COMMITTEE, APRIL 23, 1953

Mr. Chairman, I am very happy to appear today to testify on behalf of the Connecticut River Flood Control Compact of which I am one of the sponsors. This compact was authorized by Connecticut in 1949 and by Vermont, New Hampshire, and Massachusetts in 1951. It provides a formula for contributions in lieu of taxes to be made by downstream States receiving the benefit of flood-control reservoirs as reimbursement to the State in which the reservoir is located for loss of taxes due to Federal ownership of reservoir lands, and for other economic loss to political subdivisions where flood-control reservoirs are built on the Connecticut River or its tributaries by the Federal Government. It is believed that such a compact will facilitate the construction of urgently needed projects. The bill itself, of course, involves no expenditure of Federal funds. Unfortunately, I might add, the compact does not show on its face that it has been ratified in the usual sense of having been signed and confirmed by representatives of the four States.

For over 5,000 years, man has harnessed rivers and controlled floods. The Connecticut River is the great river of New England embracing parts of 4 of the 6 New England States within its basin. It includes the greatest area and it has the largest population of any drainage area in the region. The valley contains all or part of 355 towns and cities, of which 20 have a population of over 10,000. It contains farms with more than 4 million acres of land worth over one-half billion dollars and its manufactured products are over a billion dollars annually. I

think that you can see the importance to the Nation of harnessing the serious floods which are capable of great damage to this important area. The enormous waste of property and water which results from these floods concerns all of us. Since 1927, flood damages in the entire Connecticut Basin have amounted to over $80 million. A few weeks ago, another flood added to this toll. The United States Corps of Engineers has been building a series of reservoir projects which have thus far emphasized only this single purpose; and further projects are under study. The completion of the New York-New England interagency study, in which I am most interested, will lead to further projects, including those for multipurpose development of the Connecticut River. It is imperative that action be taken before flood control projects are so far along that there will be no possibility of adequate multipurpose development.

As a sponsor of the Connecticut River flood control compact, I wish to stress the importance of such compact in the development of flood control projects in New England. It is only proper that southern New England should compensate northern New England for losses of farmlands, recreational facilities and tax capacity. But I also wish to stress my understanding that it in addition permits consideration of all the rich advantages of a comprehensive water regulation program. If I am correct in my understanding, I assume that the compact upon enactment will be so carried out. If other sponsors of the compact differ on this interpretation, I would appreciate their comments now in order that the legislative history of this bill may be clear.

The compact recognizes the role and responsibility of the Federal Government in the prevention of floods and in, it states, "other utilization of water resources." The compact enables the signatory States to cooperate more effectively in accomplishing the object of flood-control and water-resources utilization in the basin of the Connecticut River and its tributaries. Unlike the compact submitted in 1937, it neither limits the authority of the United States Government to take further action with respect to such developments nor with respect to the provisions of the compact itself. I have, therefore, assumed that such a compact does not intend to stress single-purpose river-development projects—such purpose being that of flood control only—to the exclusion of multipurpose projects which could produce badly needed power, aid navigation, regulate pollution, or take other action. It is instead, I am confident, a proposal typical of New England wherein our States, recognizing the need for Federal action with respect to one of the many phases of river development, are cooperating to see that the local costs as well as the local advantages of such Federal activity are equitably allocated among the four Connecticut River States.

As I believe that the Connecticut River flood-control compact is an aid to such comprehensive development, a contribution toward that end by solving problems arising from a particular phase thereof, the controlling of destructive floods, I urge that you give it your full support.

Mr. KENNEDY. I am hopeful that this compact will be approved by the Congress for the purposes set forth in this statement.

WATER POLLUTION CONTROL

There is one other important item where the Federal Government may act with respect to the fullest utilization of New England and the Nation's water resources. I refer now to the Federal Water Pollution Control Act. This law, introduced by the Senator from Ohio [Mr. TAFT] and the former vice-president, then Senator from Kentucky, Mr. Barkley, in the 80th Congress, was originally passed with a 5-year authorization. The 82d Congress extended the duration of the act for 3 more years until June 30, 1956. I am convinced that this Congress should make this act a permanent piece of legislation, in order to permit long-range planning and definite commitments. It is also necessary that Congress provide for its administration appropriations more nearly in line with the ceiling contained in the act, which funds are necessary in order to achieve the objectives of that act, including grants and loans to the State and local agences for their water pollution control programs. Congress should also include in the tax amortization program heretofore discussed an acceleration incentive to encourage the construction of industrial waste treatment works, as recently recommended by the New England Interstate Water Pollution Control Commission and the advisory committee of the Massachusetts Department of Health on Water Pollution Control.

The availability of clean water is of importance, not only as a matter of health and living standards, but as a question of industrial development. The most recent report of the Massachusetts Development and Industrial Commission pointed out the importance of water to the location of new industry. A basic factor in the long-discussed possibilities of locating a non-integrated steel mill, cement plant, or other industry in New England is the availability of such water. The early growth of

New England was possible because there was plenty of good water available. Today it is used for the public water supply, industrial water supply, agricultural water supply, bathing, fish and wildlife, commercial fishing, and other uses where clean water is necessary.

The Water Pollution Control Act recognizes the primary responsibility and rights of the States and municipalities in controlling water pollution. The United States Public Health Service has developed comprehensive water-pollution control programs in cooperation with the States, municipalities, industries, and others in New England. The New England States have also established an Interstate Water Pollution Control Commission to control and coordinate the abatement of pollution of interstate, inland, and tidal water.

But New England has a long way to go. Pollution is today the largest single destroyer of New England water resources, hindering the economy, health and prosperity of the region. In 1952, available data showed that nearly 800 separate communities in New England discharged the sewerage from more than 6½ million people into our waterways. More than 1,000 industrial plants discharged their process waste directly into streams, in addition to those hundreds who add their pollution to the load of human waste contained in the municipal sewers. Only 152 communities provide satisfactory treatment plants for water pollution. Less than 80 treatment plants control the sources of industrial pollution. Based on 1950 cost levels, it is estimated that the municipal sewers and sewerage treatment facilities known to be needed in New England will cost $200 million. Industry will need to spend an estimated $50 million to control present pollution. Over a period of 30 years, this will only cost each individual 90 cents a year for construction and a few more cents for operation. Given the technical services and Federal credit and grants provided by the Water Pollution Control Act, if this is made permanent, individual towns and industries can assume their responsibility as neighbors in a democracy to make sure that their carelessness does not infringe upon their neighbors' rights. The only way to test thoroughly the workability of this emphasis upon State and local control is to provide adequate grants and loans for such purposes.

The progress in pollution abatement in New England has been seriously handicapped because the majority of States lack adequate surveys and investigations. According to the report of the Public Health Service on this area, "Unless increased funds and additional technical personnel are made available to the State water pollution control agencies, a significant delay in carrying out pollution abatement programs is in prospect." Appropriations by the Congress have totaled only a small fraction of the amount provided by the act. I cannot stress too strongly the importance of the Federal Government's assuming its full share of the responsibility of supporting these regional and State programs with funds and technical assistance and setting the example itself by providing adequate sewerage treatment facilities for Government installations in the area.

Although I have used New England as my example for the need and effectiveness of the water pollution control program, an equal need exists in all parts of the United States. In 1952 State expenditures for water pollution control amounted to approximately $4.50 for each dollar of Federal grant. Industries all over the United States have made decisions respecting the location of their plants based upon the availability of clean water and the cost and necessity of treating it before use. The United States Public Health Service has cooperated with the States in the conduct of surveys, the development of comprehensive basin plans, providing funds and assistance for State and local studies such as the study now being conducted in the Lowell Textile Institute regarding the disposal of wool scouring wastes, the encouragement of uniform State laws, and the provision of technical aid to State, interstate, and local agencies and other agencies of the Federal Government. The Environmental Health Center of the United States Public Health Service established in Cincinnati, the only one of its kind, is a leader in the development of new techniques to meet these problems.

It is, I think, apparent that the fullest development of this program now requires that positive action be taken by the Congress. We must provide adequate appropriations for the Public Health Service in carrying out the purposes of this act and for making grants and loans to State and local programs, and, by making permanent the Water Pollution

Control Act, demonstrate our confidence in its desirability and clear the way for long-range planning in this area. Tax amortization incentives for industrial waste treatment plants would also be helpful.

In conclusion, Mr. President, may I say that the water resources of New England and the United States are a most precious treasure, much of which we have failed to use properly. Whenever the problems they present or the uses which they offer require action on a national or interstate level, I am hopeful that the Congress will not underestimate the importance of water resources development to the economic well-being of our citizens and to the fullest utilization of our productive capacity in the mobilization period.

AID TO FISHING INDUSTRY

Finally, a very specific problem industry affecting the economic growth of New England and particularly other coastal areas, is the fishing industry, an industry valuable to all coastal States and those bordering on the Great Lakes. The value of fisheries to New England can be estimated in many ways. The 1950 earnings from catching, processing, wholesaling, and retailing New England fishery products totaled some $75 million; 15,000 are employed in processing plants, freezers and cold-storage warehouses, and well over 30,000 are directly engaged in fishing. The total income of New England from its fisheries, not including retailing fish, was $153 million in 1951, and the total value of manufactured fishery products in that year was estimated at $87 million. In Boston alone, the yearly payroll to employees in the fishing and fish processing industries totals $15 million, and the value of fishing boats and vessels, plant investment, and real estate added another $24 million.

Unfortunately, the once preeminent position enjoyed by New England's fishing industry, America's oldest, is in danger. Several of the most important food fish in the New England catch have become increasingly difficult to secure in recent years. Landings at Boston, Gloucester, New Bedford, and on Cape Cod during 1952 declined 43 million pounds or almost $2 million worth from landings of 1951. The decrease in landings of key species of fish and the resulting lesser production of fillets have increased production costs and caused

an actual drop in the domestic production of ground fish and ocean perch fillets of 19 million pounds. The lower production has increased production costs per unit of vessel and per unit of package product. The Boston fleet in 1950 was only about 60 percent as great in number as in 1939 and only 55 percent of the tonnage. Decline was very sharp particularly in the large trawlers available. Under the competitive pressure of increased imports, domestic ground fishing operations have begun to be curtailed. In 1952, imports of ground fish and ocean perch fillets totaled 108 million pounds, equivalent to 85 percent of the domestic production. In the past few years, the duty paid prices of imported fillets in the United States have generally been lower than corresponding prices of domestic fillets, causing an increase of 50 percent in the cold storage holdings of ground-fish fillets between January 1, 1952, and January 1, 1953, and a drop in average wholesale prices ranging up to 33 percent.

There are several logical steps which Congress should take to prevent this decline of one of our basic food industries. The fishery industry, made up of hard-working, independent men, has never received direct or indirect subsidies other than a few Government relief purchases in the late thirties, nor any shipbuilding assistance or other bounties such as those given to other industries or given in other countries. This Nation cannot afford to let the fishing industry go down the drain; and there is no reason why it should. We can compete with imports and expand our domestic fishing industry if its development is assisted as other industries are, not by subsidies or relief but by technical assistance, market development, and other aids. Yet the Fish and Wildlife Service of the Department of Interior has had available only 82 cents per ton of fish caught per year, whereas the Department of Agriculture has about $7 per ton for other foods. In 1949, the Secretaries of State and Commerce, after making a comprehensive study of the problems of the fishing industry as affected by the imports of large quantities of fish from abroad, recommended that the most appropriate method of meeting the industry's problem of competition would be a positive course of action directed toward expanding consumption and reducing domestic production costs.

It would seem constructive—

The report concluded—

for the Congress to provide funds for the appropriate governmental agencies to cooperate with and aid industry in developing and expanding programs for the further improvement of techniques and facilities for catching, storing, processing, transporting, and marketing of fish.

I thus feel that Congress, in addition to providing adequate funds for the Commercial Fisheries Division of the Fish and Wildlife Service, should also look with favor upon a bill which I shall soon introduce, and similar to one which I have introduced previously, providing not for the expenditure of new funds but for the transfer of an equitable share—amounting to $1 million—of those funds now allocated from import duties for such purposes generally, under Department of Agriculture jurisdiction, for use by the Department of the Interior in cooperation with the Department of Agriculture in the encouragement and development of domestic consumption of our fishery products, further exportation of such products and effective education, research, and quality control. Purchase of surplus fishery products is not included at this time in this bill, the Secretary of Agriculture already being authorized to expend $1.5 million for such purposes.

Such technological and marketing studies are fundamental to the future prosperity of our fishing industry if it is to continue to form the economic foundation for a significant portion of New England's population. Technological studies will help to land top quality fish despite longer trips to new fishing grounds, help discover such grounds, and will improve handling and processing techniques after landing so that these products will come into the hands of the consumer unsurpassed by competing foods, whether imported fish or domestic agricultural products. Studies are already underway to evaluate the effectiveness of freezing fish on the high seas for later thawing, filleting, packaging, and refreezing ashore. It is hoped that this procedure will be sufficiently practical, economical, and otherwise successful to assure the fishing industry of New England many years of prosperity. Marketing studies are necessary to find those areas in which an unsatisfied demand for frozen fillets, the main New England product, exists, particularly those in which consumption is not at the national average. The housewife, the TV viewer, and the schoolchild can be educated about fish products. Transportation studies have to be initiated to determine the most inexpensive ways of moving fishery products and the best methods for maintaining quality while they are stored or en route. All parts of the fishing industry would benefit from some extension services in the techniques of their trade. Quality control must be applied from the moment fish are landed on board ship to the moment they are put on the consumer's table. Such quality control, including the adoption and use of standards by the fishing industry, would, more than anything else, assist in the development and maintenance of markets for our fishery products.

Like those quoted in a recent editorial in the Maine Coast Fisherman, I believe that "quality products, efficient operation, aggressive sales policies—these are the avenues that lead in a constructive direction." A recent series of articles in the Gloucester Daily Times demonstrated that improved technical processes is the best answer to foreign competition. New filleting machines, bigger trawlers, electronic dragging devices, freezing fish at sea, precooked frozen foods—all of these can revitalize the fishing industry if we will only give it the attention it deserves. A fishery educational service is needed to carry to the industry techniques and information now available but unknown or unused.

The type of legislation which I have here proposed has received widespread support from various segments of the fishing industry, not only in New England but all over the country, particularly with respect to the educational services and technological research. Such support includes the resolutions of the National Fisheries Institute, the Atlantic States Marine Fisheries Commission, and the Gulf States Marine Fisheries Commission. Representatives of labor, management, and public agencies concerned with the fishing industry have united in their support.

It is only just that fishery products receive their proper share of the funds set aside each year from duties collected under the customs laws for such purposes. Actually, the amount provided in this bill in addition to the 1939 funds for

purchase of surplus fish are less than the 30 percent of import duties Congress intended to be allocated for such purposes. No additional appropriations or increase in budget would be necessary under such a program and the benefits would result not only to those directly engaged in the fishing industry, but to our consumers and businessmen in general.

Such a research program, of course, is one of long-range benefit. In the meantime, the Congress must decide whether the fishing industry is also in need of and entitled to other means of assistance which are provided to similar or competing industries. These would include study by the Tariff Commission of the necessity of the imposition of a temporary flexible import or tariff quota on ground fish fillets, and by the Congress of the establishment of a price support program for fish, or other subsidy. It is my intention to present to the Congress from time to time further information and proposals relating to these problems.

As a first step, Congress should provide for the transfer of a fair share of import duty revenues to utilization in the type of fishery research, market development and other studies I have outlined, to enable that industry to contribute to our economic expansion.

Mr. President, this is one of a series of three speeches to be devoted to the economic problems of New England. The second will be given on Wednesday of this week, May 20, and the third on Monday, May 25.

Mr. HUMPHREY. Mr. President, will the Senator from Massachusetts yield?

Mr. KENNEDY. I yield.

Mr. HUMPHREY. I desire to commend the distinguished Senator from Massachusetts for the very splendid study, research, and program which he has presented to the Senate this afternoon. I make particular note of the fact, Mr. President, that the Senator from Massachusetts, in bringing to our attention the problems of the New England States, and, in particular, of his own great State of Massachusetts, has not in any way criticized other areas of the Nation for the fine programs which may have benefited them, but, rather, he has pointed to other areas of America only to show what might be done to alleviate some of the problems in his own particular region. His forthright language and what I consider to be his very fine analysis of the economic problems involved in his area should command the attention of the appropriate committees of the Congress.

I desire to assure the Senator from Massachusetts that I, for one, will do all I can as a Member of this body to be of help, particularly in those areas needing the development of the great natural resources of New England and the solution of problems which deal with the fishing industry which is so basic to the economy of the New England States, together with all the many social and economic problems which the Senator from Massachusetts has outlined.

The Senator has performed a valuable service, not only for his own people, but I think he has set a pattern for the rest of us showing how we can discuss the problems which we face and relate them to the total problem of the United States.

I wish to assure the Senator that I shall stand with him in whatever his endeavors may be for the constructive good of his region and of the Nation.

Mr. KENNEDY. I am extremely grateful to the Senator for his kind words.

Speech No. 2—May 20, 1953

THE ECONOMIC PROBLEMS OF NEW ENGLAND—A PROGRAM FOR CONGRESSIONAL ACTION

III. PREVENTION OF FURTHER INDUSTRIAL DISLOCATION

Mr. KENNEDY. Mr. President, the second major task facing those of us who are interested in alleviating the economic problems of New England and the Nation is to prevent the further decline and dislocation of business. I have previously pointed out the intensity of such industrial dislocation, migration, and decline and the serious economic and social consequences they have caused in so many communities in New England and elsewhere. Whenever they are due to congressional policy, unfair methods of competition, discrimination, or other action contrary to the national interest, it is proper that the Congress take remedial action. There are several areas of this nature in which Congress should act to prevent or at least to restrict further such problems.

LABOR COSTS

The first item under this heading involves the cost of labor. I realize that Congress cannot and should not make labor costs North, South, East, and West exactly equal. But Congress does have a duty to see that the laws of the United States are not preventing the equalization of labor costs; and a further duty, which has long been recognized, to see that labor is not exploited at an unreasonably low cost.

FAIR LABOR STANDARDS ACT

The first and most important step which must be taken to equalize more nearly the cost of labor in this country, on the basis of minimum standards of decency and fairness, is to amend the Federal Fair Labor Standards Act so as to increase the minimum wage from 75 cents an hour to at least $1 an hour. I realize that there are other inadequacies in our minimum wage and hours law, particularly the large number of exemptions and exceptions to the coverage of that law which in 1949 were increased by the Congress. But, if nothing else, it is incumbent upon Congress at this session to raise the minimum wage to $1 an hour.

Seventy-five cents an hour, or $30 a week, is not a living wage in any part of the country today. According to the Bureau of Labor Statistics, the average four-person family in Mobile needed more than twice that amount in order to maintain a modest standard of living—to pay $51 monthly rent, for example. But $30 a week, or 75 cents an hour, is the minimum wage now set by the Fair Labor Standards Act; and, thus, that is the incredible sum, for example, that thousands of cotton-textile-mill workers in the southeast region of the United States are paid. What sort of homes, food, clothing, and medical care can these workers obtain for themselves and their families? Yet, a proposed increase to $1 an hour is protested. An increase in the minimum was recommended by the report of the New England Governors' Committee on the Textile Industry.

Since 1840, when Martin Van Buren established a 10-hour day for workers in Government Navy yards, labor-standards legislation has been an increasingly important part of America's social legislation. It is legislation which has been enthusiastically endorsed by citizens and Senators from every part of the country because it benefits every part of the country. Hugo Black, of Alabama, was one of the first sponsors of the Fair Labor Standards Act because he foresaw the steady economic progress and betterment of living standards which the South would enjoy under the stimulation of labor-standards legislation and similar economic improvements. He and his colleagues realized that the industrialization of the South would not be handicapped by its inability to offer sweatshop wage labor as an attraction to new business. They did not want runaway industries to desert their northern employees to come South in an attempt to exploit, at low wages, the labor supplies of the South. Nor did they want the industries of their own areas, that were paying legitimate wage scales, to face competition from those paying wages below a decent minimum. Their position has been borne out, as demonstrated by the Joint Committee on the Economic

Report in its 1949 report on the Impact of Federal Policies on the Economy of the South. Thus, my appeal for a higher minimum wage in 1953 is directed at every Senator and every citizen in every part of the country who believe in maintaining and improving our economy and our labor standards.

A doctor of philosophy in economics is not required to realize that today a minimum wage of 75 cents an hour is a nearly meaningless and obsolete yardstick, wholly inadequate even as a wage floor. According to the Bureau of Labor Statistics, the consumers price index, the best measure of living costs for which wages go, shot up from 169.7 to 190.7 from October 1949 when the 75 cents figure was enacted, to December 1952. In any event, 40 cents an hour was admitted by its sponsors to be inadequate pay in 1938; 75 cents an hour was admitted by its sponsors to be inadequate pay in 1949, and $1 an hour would not be excessive pay in 1953.

The average wage of New England factory workers in October 1952 was nearly $1.60 an hour, and similar wages are reported elsewhere. It is unthinkable that such workers should be forced to compete with the labor of those receiving less than one-half that amount, particularly since, according to a Bureau of Labor Statistics survey of 1951, there was little difference in the urban cost of living between North and South. Wages in the United States are over 40 percent of the value added by manufacturers for all industries, with figures ranging up to nearly 50 percent in the case of textile and other industries. The report of the Committee on the New England Economy stated that minimum wages should be high enough to stop the exodus of industry from older areas when this is not justified by underlying economic conditions.

The report pointed out that, thus far, the minimum-wage rates have been at levels that affect a relatively small part of the total labor force, including the South, because of the general rise in demand and in industrialization throughout the country. A higher and more effective minimum wage, the committee pointed out, would by no means eliminate wage differentials, but would tend to reduce the advantages of low-wage areas. There are many who maintain that a minimum wage of $1.25 would be more realistic and more effective, but I am convinced that Congress might more easily and quickly take the step of raising the minimum wage to $1 because of the obvious need for such step.

A $1 minimum wage would provide a standard which would prevent employers who now are paying less than that figure from continuing to exploit the helplessness of their employees. Further, it would be a stabilizing factor in these days when economists talk darkly of a mild recission. More money means more purchasing power and decent-living standards. Of particular importance to legitimate manufacturers in New England and elsewhere, who now are paying wage scales well above $1 an hour, is the effect such a minimum would have in preventing unfair undercutting by sweatshop-work employers.

President Eisenhower's campaign pledge to workers of "a high level of wages with steady purchasing power" cannot be realized so long as some workers in interstate commerce still receive less than $40 a week. Generally, such workers are being victimized at such a low wage, not because of their lack of skill or productivity, but because their age, color, lack of organization, or similar factors prevent them from being in a position to bargain for the wages paid by decent employers in the same industry. Events since the 1938 act and the 1949 amendments amply disprove the usual claims and clichés that such legislation would "cause mass unemployment," "interfere with free enterprise and collective bargaining," and "discriminate against small business." The most recent nationwide data on wage rates issued by the Department of Labor demonstrate that such an increase could be easily absorbed by all employers affected. Moreover, productivity continues to increase under the stimulation of decent wages and working conditions.

Although my main concern is with the minimum wage itself, I wish to add one word concerning the coverage of the act and the exemptions therefrom. When Franklin D. Roosevelt proposed wages-and-hours legislation in 1937, its constitutionality and the full scope of the commerce clause were still in doubt. Accordingly, Congress acted cautiously with respect to coverage. In 1949, instead of extending the coverage, such doubts having been resolved, opponents of the increase to 75 cents exempted from the protection of the act an estimated half million workers—those in the lumber, telephone, newspaper, laundry, and other industries and those in retail establishments. This trend must now be reversed. The benefits of such legislation must be distributed over as broad an area as the Constitution and practicality permit. I am concerned, I may add, about the pressures that seek to exempt still more persons and occupations from the coverage of the act.

In summary, Mr. President, the strengthening of our basic fair-labor-standards legislation is an immediate necessity. If we are to maintain a healthy, vital, confident, and strong economy, vigorously pursuing a foreign policy designed to strengthen the democratic forces and living standards abroad and stability and security at home, we must follow the principle stated in the declared policy of the Fair Labor Standards Act:

> To correct and, as rapidly as practicable, to eliminate labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers.

A $1 minimum is a modest goal; it would go virtually unnoticed by practically every industry and every legitimate employer in the country; but it would be a step forward in eliminating the worst forms of underpayment and in setting a realistic floor beneath the Nation's economy.

An increase in the minimum wage to $1 an hour would take into consideration the minimum standards of living necessary in this country, the increase in the cost of consumer goods purchased by the wage earner, the prevailing minimum rates in most American industries today, and the general rise in wage levels and productivity throughout the Nation; and it would help prevent undesirable industrial migration and dislocation.

WALSH-HEALEY ACT

The next step in more nearly equalizing wage rates and the cost of labor in order to prevent further decline and dislocation of business is the improvement of the Walsh-Healey Act. This law, originally enacted in 1936, provides in general for a determination by the Secretary of Labor of the prevailing wage rates in an industry with which the Federal Government is contracting, and requires such contractors to observe minimum wages based on these more current and more adequate rates. Hours, working conditions, child labor, and other labor standards are similarly regulated. The object of the act, as stated by the United States Supreme Court, was to "obviate the possibility that any part of our tremendous national expenditures would go to forces tending to depress wages and purchasing power and offending fair social standards of employment."

Although an administrative lag frequently diminished its importance in the wage picture, the Walsh-Healey Act worked well without far-reaching amendments until 1952. Near the close of the 82d Congress, when preparation for the national conventions was reaching its peak, several extensive amendments to this permanent labor legislation were introduced as amendments to the Defense Production Act. One such amendment was enacted in the last few days of Congress which provided, among other things, for judicial review of the Secretary's determination under the act.

It is difficult politically to oppose judicial review. But not logically. The amendment introduces the confusing uncertainties of court decisions to matters for administrative finding of fact. It thus serves only to cripple unnecessarily the effective operation of the act. Its encumbering effect was recognized by the report of the New England Governors' Committee on the Textile Industry.

The real basis of the amendment was demonstrated as soon as the Secretary of Labor issued a finding of prevailing wages in the textile industry. Certain textile manufacturers immediately brought suit to review the action, claiming that separate rates should have been set for southern mills, that the procedure followed was improper in a number of ways, that the finding was unsubstantiated and that such finding should be held up indefinitely while all these matters were litigated in the courts. In February, a temporary injunction was issued suspending the textile increase for the employees of the plaintiffs. Thus, the whole intent of the Act was frustrated as the southern mills continued to undercut the industry with low wages. The Senator from Rhode Island [Mr. GREEN] has introduced a bill to repeal the Fulbright amendment. If this cannot be done, surely the provisions for judicial review can be drastically modified.

Provisions for determinations of areas and goods to which an order applies should be clarified to spell out existing and I believe proper, administrative interpretation into law. The Senator from Maine [Mr. PAYNE] and Representative Rogers of Massachusetts have each introduced bills in order to make clear beyond question that minimum wage rates under the act may be determined on a nationwide basis, and that the Secretary is not required to fix different wage rates for different areas of the country. Such an amendment is clearly in keeping with the purpose of the Walsh-Healey Act by preventing the use of expenditures of the Federal Government to encourage and perpetuate substandard labor conditions in low-wage areas. Such an amendment is desirable in order to substantiate the present administrative interpretation which prevents unscrupulous contractors in higher wage areas from peddling their bids to have the contract work performed by manufacturers in low-paying areas. This interpretation has been confirmed by the continued appropriations for and review of the enforcement of the Walsh-Healey Act by Congress and a specific rejection of a contrary amendment during the last session. A determination of minimum wages on a locality basis would in effect prevent the Walsh-Healey Act from achieving the purposes for which it was enacted.

Consideration should also be given to means of expediting changes in the various industry rates as proposed by the New England Governors' Committee. I realize the importance and desirability of the present procedures which call for informal consultations with employers and employees, careful studies of wage rates, and quasi-judicial proceedings adhering to the basic elements of due process; however, I am hopeful that some machinery may be provided whereby such wage determinations may be kept more nearly up to date. I am likewise concerned that no further weakening amendments be introduced to destroy the effectiveness of the act by excluding particular commodities or industries or by insisting that wage rates be set on a local basis.

As in the case with the Fair Labor Standards Act, the fundamental objectives of this law are generally accepted by employers, employees and the public, who agree that healthy competitive conditions cannot be maintained at the expense of decent labor conditions. Because of the increased Government demand for thousands of items, the Walsh-Healey Public Contracts Act has become of increasing importance in maintaining our labor standards, protecting an increasing number of employers and their employees from the unfair competition of bid brokers and speculators and that minority of firms that will not maintain the fair labor standards generally observed in their industries. Fiscal 1952 contracts under the Walsh-Healey Act for the products of the woolen and worsted industry alone, for example, were valued at $236 million. The congressional purpose in enacting this law was to prevent this tremendous spending power of the Government from being used to perpetuate intolerable working conditions and unfair competition. The Government is protected from dealing with undependable and irresponsible suppliers and need not award defense contracts as subsidies to those who weaken our workers' morale and productivity through substandard conditions of employment. A strong and effective Walsh-Healey Act, free from the entanglements of the Fulbright amendment, is an important step in the achievement of a stronger national economy without undesirable industry dislocation.

ADMINISTRATION

There is one more problem with respect to the Fair Labor Standards, Walsh-Healey, and other acts, which affects the general problems which I have been discussing. I refer to the effective and equitable enforcement of these laws rather than substantive amendments to them. Here too, however, Congress has an important role to play; first, by providing adequate appropriations for the administration and enforcement of such laws; and, secondly, by maintaining a watchful attitude to see that the intent of Congress is not frustrated or misused. These laws, including the Fair Labor Standards Act, the Walsh-Healey Act, and the National Labor Relations Act, require able administrative personnel in adequate number to accomplish their purposes. They also need constant surveillance by the Congress to determine when the law is not accomplishing those objectives and is in need of further legislative action. For example, with respect to the Taft-Hartley law, which I shall subsequently discuss, Congress should be concerned about reports that National Labor Relations Board field examiners and employees are intimidated in certain areas, and, further, that there is an unreasonable and unnecessary delay in processing of cases. The Senator from Ohio [Mr. TAFT] has introduced an amendment to provide for an advisory committee on procedure which may be helpful along these lines. As another example, we find the Wage and Hour Administration, on its present budget, faces far more violations of the Walsh-Healey Act in need of detection in the textile areas outside of New England than within that region.

It is with respect to the Fair Labor Standards Act in particular that Congress must give its attention to matters of enforcement and accomplishment of objectives; and I will mention here three specific problem areas where this is true.

CHILD LABOR

The first relates to the child-labor provisions of the Fair Labor Standards Act. The Bureau of Labor Standards has done an excellent job of educating the public to cooperate with respect to the provisions of the act and checking on its compliance, but it cannot do so without adequate appropriations and personnel. Particularly in agricultural occupations, and here especially for children of migrant families, are violations of the law likely to occur without adequate informational and compliance services.

If we are concerned about the health and education of our children in every part of the country, then we shall be concerned about the adequate enforcement of our child-labor laws. A surprisingly large number of children found employed in violation of the law are only 9 years old or younger. This is not a question of one area of the country being pitted against another. The basic minimum age for employment under State laws in July 1952 was the same for all of the States of the Southeast as it was for most of New England and the Middle Atlantic States. But, unless full and accurate information about the child-labor laws reach employment agencies, labor contractors, schools, and other employers, this most shocking of all violations of decency will continue. Adequate enforcement of the Federal law, moreover, helps to equalize the cost of social legislation to employers in various parts of the country, and prevents exploitation of children at unreasonable wages.

LEARNER PERMITS

A second important problem area under the Fair Labor Standards Act concerns the use of learners permits. The original intention of that section of the law permitting employers under certain circumstances to be granted learner permits by the Secretary of Labor while training employees at a wage less than the minimum wage was to make the transitional period that much easier following the establishment in 1949 of a minimum wage of 75 cents. But, the transition period for a minimum wage of 75 cents, if such period ever existed, has been long past. Today, there is no justification for paying a learner less than 75 cents an hour; and there is particularly no justification for the wholesale issuance of learner permits to established industries which have moved to southern or rural areas to take advantage of low-cost labor. Complaint has been made that more learner permits have been issued to 1 such company in at least 1 instance than such company had employees in a particular year.

I hope that Congress will give serious attention to this problem and determine if the exemption for learners continues to be necessary and useful; whether this exemption has been inadequately administered by the Wage and Hour Division due to a lack of funds or personnel; or whether such exemption has been abused by either administrators or employers and is in need of corrective action by the Congress. Certainly we have a right to be concerned about a provision of the law which permits, for example, a wage of 60 cents an hour to be paid to certain employees in the apparel industry.

PUERTO RICO

Finally, an important problem area under the Fair Labor Standards Act to which Congress should make certain that the law is being effectively and equitably enforced is the special exemption for Puerto Rico. I am most sympathetic to the problems faced by the employers and employees of Puerto Rico where substandard labor conditions, miserable living standards, and unemployment are far more prevalent than in the United States. But I am not sympathetic with those American manufacturers and other employers who establish sweatshops in Puerto Rico to which they can ship their

goods to be processed and thus avoid the higher-wage levels here on the mainland. The present minimum-wage rates in Puerto Rico under the Fair Labor Standards Act are low enough to cause concern to manufacturers in any part of the United States regardless of what wage they may be paying. Such wages as 17½ cents an hour for certain textile workers, 23 cents an hour for certain leather workers, and 30 cents an hour for certain button, buckle, and jewelry workers shock the conscience of most American citizens, particularly those who must compete with the products of such labor. And yet the Puerto Rican Government has embarked upon a program to entice American employers to abandon their mainland plants and employees and migrate to the cheap labor of Puerto Rico, promising in one letter I have seen that wages will be only one-third or lower of those the employer now pays. Again, I do not believe that the exemption provided for Puerto Rico in the Fair Labor Standards Act under which minimum wages are determined by special industry committees was intended to encourage industry dislocation and bid shipping. Nor do such low-minimum wages alleviate the lack of purchasing power, standard of living and unemployment in Puerto Rico. I think it apparent that the present system of industry committees who meet every few years to grant slight increases industry by industry is not effective; and that Congress must take action to accelerate the upward revision of the Puerto Rican minimum wages not only that they may bear a proper relationship to our own wages, particularly in the case of those concerns migrating or bid-shipping from, or competing with, American industry; but also that they may alleviate the low-wage structure presently afflicting that economy. Exemptions may be granted, as for handwork; and a period of transition permitted. But action should be taken now.

Congress should immediately review the administration of the child labor, learners' permits, and Puerto Rican exemption provisions of the Fair Labor Standards Act to make certain that the objective of that act are being carried out.

TAFT-HARTLEY LAW

The next important step which needs to be taken with respect to the equalization of the cost of labor is to provide at least a free opportunity for an equalization of the degree of unionization in various sectors of the country. This requires, of course, revisions of the Taft-Hartley law. As stated by the Committee on the New England Economy:

> In still another field Federal policies may injure New England's interest. * * * The Wagner Act tended to advance unionization much more rapidly in the northeast than in the south, and the Taft-Hartley Act tends to freeze that situation. * * * The Taft-Hartley Act * * * has had one unfortunate effect; namely, a freezing of an advantage for the South which has a much lower proportion of unionized workers. * * * It affected adversely the labor-cost position of the New England manufacturers in their competition with the South by retarding the equalization of labor conditions.

Similarly, the report of the New England Governors' Committee on the Textile Industry, prepared for the New England Governors' Conference of which Sherman Adams, now Assistant to the President, was chairman, and of which the Senator from Maine [Mr. PAYNE] was a member, stated that abuses of the Taft-Hartley law had helped to "freeze a situation which finds unionization retarded in the South to the disadvantage of New England. Unless southern trade unionism advances substantially in the near future, New England will continue to suffer a serious handicap."

The figures bear out these conclusions. In 1946, 32 percent of our nonagricultural labor force was unionized; but in 1952, 6 years after Taft-Hartley, the figure was only 31 percent. During the 5½ years before Taft-Hartley, the percentage of southern elections, of which there were 260, lost by the Textile Workers Union of America was 42 percent; but despite increased union activity during the 5½ years after Taft-Hartley, it had risen to 63 percent of only 150 elections. More important, the number of new members dropped about 75 percent; and where elections were successful, the percentage of successful collective bargaining relationships established dropped from 77 to 43 percent.

Unionization affects the cost of wages, working conditions, and workloads, and is frequently a cause of plant migration. Prof. Seymour Harris in his book on The Economics of New England sums it up this way:

> The Taft-Hartley Act has had the effect of freezing New England in its current relatively unfavorable unionization position. By

guaranteeing employers freedom of speech, by changing rules of evidence, by outlawing the closed shop, and by introducing numerous other changes, the authors of the Taft-Hartley Act have substantially retarded unionization in the South where the largest advances remain to be made. The companies frequently intimidate workers, use their freedom of speech to threaten workers who wish to join a union, fire organizers, refuse to abide by National Labor Relations Board decisions, introduce all kinds of delays as a means of flouting collective bargaining—in fact, frequently do not bargain collectively. In some cases, by the time an employer has finally yielded, the union has disappeared.

Wage cuts imposed by arbitration in the North have upon occasion been frankly ascribed to failure by the unions in the South to organize sufficiently and keep pace with wages in the North. The largest woolen employer has recently demanded a substantial wage cut for similar reasons.

There are many amendments needed in the Taft-Hartley law, just as it has many provisions which should be retained or strengthened. However, I wish at this time to discuss only a few provisions in the law which have seriously retarded unionization in southern and other sections of the country to the disadvantage of New England and other areas which were industrialized and unionized earlier.

The first section in need of amendment is the so-called employer "free speech" section. Section 8 (c) of the Taft-Hartley law states that:

> The expressing of any views, argument, or opinion, or the dissemination thereof, whether in written, printed, graphic, or visual form, shall not constitute or be evidence of an unfair labor practice under any of the provisions of this act, if such expression contains no threat of reprisal or force or promise of benefit.

The effect of this provision, as pointed out by the Committee on the New England Economy, and the Senate subcommittee studying labor-management relations in the southern textile industry, under the able chairmanship of the Senator from Minnesota [Mr. HUMPHREY], has been to prevent the National Labor Relations Board from considering the antiunion statements of an employer as evidence of motivation of subsequent hostile conduct which would otherwise constitute an unfair labor practice so long as the statement in question did not explicitly threaten punishment or promise reward.

I am completely opposed to any attempt by this Government to restrain the free speech of employers or employees which is protected by the Constitution; but I think it cannot be disputed that speech itself is frequently and properly considered as evidence of motivation and may thus carry some penalty with it. This is clear in every other field of law, whether it be homicide, defamation, family relations, or anything else. I think it is equally clear that a statement may have a coercive effect without explicitly threatening punishment or promising rewards. A well-established union may be able to protect itself from hostile statements; but a weaker union, attempting to get on its feet in an antagonistic community, is seriously hurt by antiunion statements whether they are explicitly coercive or not. Thus the Senate Labor Subcommittee found that this section has been responsible, as much as any single provision of the Taft-Hartley law, for frustrating the efforts of textile workers to organize in the South.

Demagogic and violent themes are used by some employers with such an inflection and in the midst of such circumstances and conduct that the workers dare not organize into unions of their own choosing. Yet, under the Taft-Hartley law, such statements do not constitute coercion; they are privileged.

I ask unanimous consent, Mr. President, that a memorandum be included at this point in my remarks, which memorandum sets forth examples of such speech which have been permitted under the Taft-Hartley law.

The PRESIDING OFFICER (Mr. SPARKMAN in the chair). Is there objection?

There being no objection, the memorandum was ordered to be printed in the RECORD, as follows:

MEMORANDUM ON SPEECH PERMITTED UNDER THE TAFT-HARTLEY LAW

American Thread Co. plant at Tallapoosa:

"We have a nice mill here, but someone or something is fixing to come in and tear up your playhouse. This outside influence is just a bunch of potbellied Yankees with big cigars in their mouths, and the dues they collect will just go up North, and you should want to keep your money in Tallapoosa. If they come in you will share the same restrooms with Negroes and work side by side with them. It comes right out of Russia and is pure communism and nothing else. In one place the people who went out on strike had to eat raw cabbage."

Dacotah Cotton Mills, Lexington, N. C.:

"Who are the men who run this union anyway? I will name some of its chief officers to you. Baldanzi, Rieve, Chupka, Genis, Jabor, Knapik, and Rosenburg. Where do you think these men come from and where do they live? Are their background, upbringing, viewpoints, beliefs, and principles anything like yours and mine?"

Johnson Manufacturing Co., Charlotte, N. C.:

"Everybody knows that where unions are is where strikes generally occur, and everybody knows that strikes mean trouble, dissension, strife, hunger and misery, lost work and lost pay. A union often costs people more than just the dues it collects from them; it often costs them their entire earnings."

Pacific Mills, N. C.:

"Your common sense is bound to tell you that the union organizers are not here because they have suddenly felt an affection for you. They are here, and were sent here, to get some of your money. So long as they think there is any chance of getting it, they will stay here. If and when they find out they are not going to get it, they will leave as suddenly as they came."

Union Screw Products:

"The CIO was a bunch of Communists; veterans had nothing to gain by engaging in union activities; the IAM was no longer a good outfit."

Tennessee Valley Broadcasting Co.:

"Telling an employee he was silly, stupid, and unwise in remaining in a union."

Matthews Lumber Co. case:

"Statements by the employer that he was opposed to the union, it causes trouble, did no good, and existed only to get dues."

Vinton Coil Co.:

"Preelection letters to employees urging a 'no' vote to protect their jobs and families."

Mr. KENNEDY. Mr. President, under the cloak of this so-called free-speech amendment, certain employers have revealed with immunity their intimidation and coercion upon the rights of their employees in a manner alien to American standards of fair play and justice. For example, in the first case cited in the above memorandum, where the plant superintendent allegedly told employees that the union involved pot-bellied Yankees, sharing rest rooms with Negroes, strikes, and pure communism, the trial examiner was upheld by the Board when he found that these remarks "although antiunion, are not violative of the act. Under the act mere words ascribed to an employer do not constitute unlawful interference with the legal rights of the employees unless the words amount to an actual threat of economic

punishment for engaging in collective bargaining.

As proposed in 1949 by the distinguished majority leader [Mr. TAFT], the act should at least be amended to permit such statements in their full context to be used as evidence of an unfair labor practice.

The second provision in the Taft-Hartley law which discriminates against those sections of the country such as New England which were more quickly organized is section 14 (b) which permits State laws prohibiting the union shop or other union security agreement to take precedence over the Taft-Hartley Act which permits a limited form of union shop. This section applies regardless of whether the plants are in interstate commerce and regardless of whether the union security arrangement is agreed upon by an employer and a union each of whom have units in several States. It is my understanding that 16 States, mostly in the South, prohibit even the limited union shop that the Taft-Hartley law permits. Indeed, the institution of this provision of the Taft-Hartley law was an invitation to such States to be more restrictive. This is not a question of States rights. There are several States, such as Massachusetts, whose State labor-relations laws are less restrictive in this field than the Taft-Hartley law, but they are not permitted to take precedence as is the case in the antiunion States. This has resulted in a hodgepodge of national policy and a lack of uniform treatment of a single industry or even a simple company with plants in many States.

Perhaps the best statement in favor of eliminating such State priority is found in the unanimous bipartisan report of the Senate Committee on Labor and Public Welfare of the 82d Congress concerning the bill to permit in effect a closed shop in the building and construction industry. The bill provided that such agreements were to be permitted "despite any other provision of the Act or any other Federal, State or territorial law." The reasons for this were clearly stated in the report, and are clearly applicable to all industries:

> As the problems of this industry are indivisible and national in scope, it is provided that such agreements are permissible despite the provisions of any other section of the Act or any State or territorial law. * * * Approximately 16 States have constitutional

or statutory limitations on union security more stringent than those of section 8 (a) (3) of the National Labor Relations Act or those contemplated by this bill. Section 14 (b) of the act provides that such limitations are controlling. Congress can preempt the field of labor-management relations to the exclusion of State and Territorial action by legislation and it has done so to an appreciable extent. The needs of contractors, labor organizations, and employees in this industry are the same throughout the country. Failure to meet these needs has resulted in problems which are nationwide. * * Their impact upon the national economy, and especially upon defense activities, does not vary from State to State. In providing the remedies which would be afforded by this bill, the committee is convinced that the provisions of this bill should take precedence over all local regulations.

The Taft-Hartley law is a national labor-management relations act. It should not provide for national problems of labor-management relations to be governed by 48 separate acts. Such a federal preemption amendment must be added for all industries and all parts of the act if we are to have uniformity in the governing of labor relations in this country.

A third provision of the Taft-Hartley law which has unfairly restricted the right of labor to organize and bargain collectively in those areas not now organized is section 9 (c) ? which prohibits economic strikers from voting in a representation election. The statement in that section that "employees on strike who are not entitled to reinstatement shall not be eligible ot vote" is combined with the longstanding rule that economic strikers—those who strike for reasons other than their employers' unfair labor practices—are not entitled to reinstatement if their jobs have been filled by permanent replacements. The effect of these two rules means that an economic striker who is replaced loses his eligibility to vote in a National Labor Relations Board election. When an economic strike is called, accordingly, all an employer has to do to throw the union out of the plant for good is to bring in replacements and, either himself or through the replacements, petition for an election by the board for the selection of a bargaining representative. Under such circumstances, only the replacements are allowed to vote while the employees whom they replace are not. This provision introduces the novel doctrine that an employee who is out on strike for higher wages is no longer entitled to state who shall represent the workers at that plant.

President Eisenhower referred to this provision of the Taft-Hartley law as "licensing union busing." The subcommittee of the Senate Labor Committee studying labor-management relations in the southern textile industry explored the impact of this provision on the union at the American Enka Co. in Morristown, Tenn. In this case it concluded:

The effect of that doctrine on the American Enka case is obviously that, since the back-to-work movement had replaced the strikers, the old union would be ousted, and the competing union which had no valid interest in the plant prior to the dispute, would emerge victorious from any election. Under such circumstances as these, the doctrine would convert the ultimate exercise of economic strength by the union, the strike, into a suicidal weapon.

The Senator from Ohio [Mr. TAFT] has introduced a bill to eliminate this provision of the law. Elimination of the ban on economic strikers voting should have the support of every Senator and citizen who believes in fair labor-management relations.

The next very serious problem affecting the unionization and rights of employees in previously unorganized areas is the unreasonable delay which the many entangled requirements of the Taft-Hartley law have caused. Delay causes discontent and injustice and frequently aggravates differences for employer, employee, and the public alike. The National Labor Relations Board and its General Counsel's office have been striving to improve their procedures; and my criticism is directed not at those officials but at the various provisions in the Taft-Hartley law which prevent the most expeditious handling of cases under the act.

For example, in the cases of the American Thread Co. in Tallapoosa, Ga., and the Anchor Rome Mills in Rome, Ga., delays of nearly 2 years after filling charges of unfair labor practices broke the struggling textile unions completely. The Aldora Mills, Barnesville, Ga., case, begun in 1946, is unsettled today.

Naturally, this delay works the greatest hardship on the weaker unions attempting to gain a foothold in hostile and previously unorganized areas. After 2 years, an antiunion campaign can have

successfully shattered employee morale and scattered the members of the union to jobs elsewhere. An enforcement order by then serves little purpose.

Mr. President, this unconscionable delay in part is due to the staggering load of 78,000 different cases docketed under the Taft-Hartley Act. In part it is due to the lack of adequate appropriations for sufficient National Labor Relations Board personnel, particularly in the regional offices, to handle such load. In part, it is due to the natural difficulties of attempting to interpret and apply an act so complicated as the Taft-Hartley. But it is also due to the presence or lack of particular provisions in the act itself, a few of which I might discuss.

The Taft-Hartley law prohibits prehearing elections, bans methods of determining a majority other than an election, and prevents hearing officers from making recommendations in representation cases. These prohibited practices had previously worked well and fairly to expedite representation cases, without loss of full rights and safeguards. They should not be required; but neither should they be prohibited. In the year prior to the enactment of the Taft-Hartley law, 626 prehearing elections were held and only 172 required later hearings.

The act also provides for many complex and detailed filings, with penalties for the slightest defect in compliance with such requirements. Senator TAFT has already introduced an amendment to eliminate the necessity of filing certain information relating to union constitutions and bylaws which are practically always a matter of public record in any case, and I am hopeful that the Congress will consider further amendments along these lines.

The abolition of the central review section of the National Labor Relations Board, and the prohibition of assistants to trial examiners are other examples of legislative interference with internal administration which has made agreement more difficult, processing more inefficient and each case more costly.

Other suggestions which have come from the study of the Senate Subcommittee on Labor and Labor-Management Relations with respect to the administration of the Taft-Hartley Act include an amendment to permit a regional director to exercise final authority on all issues in representation cases, most of which are routine, subject to a limited right of appeal to the Board; to permit the Board to issue a decision in an unfair labor practice case where the parties waive the right to a hearing and agree to a stipulation of the facts; and finally to establish a court of labor appeals, with the same jurisdiction as the courts of appeal now exercise in review and enforcement cases, similar to the Emergency Court of Appeals established with respect to orders of the Office of Price Stabilization. In addition, penalties and enforcement of the law should be made more effective.

I am convinced that the enactment of these and other amendments would reduce the unnecessary delay and expenditures which are so harmful to the attainment of justice in labor-management relations in this country.

The next problem under the Taft-Hartley Act which affects the unionization of southern and other unorganized areas is the matter of injunctions. I speak here primarily of State court injunctions, which are not specifically mentioned in the Taft-Hartley law, but the use of which has been stimulated by the passage of that act. As a result, there has been a tremendous increase in State court injunctions since 1947. Moreover, by failing specifically to preempt the field of labor-management relations in what was supposed to be a National Labor-Management Relations Act, the Taft-Hartley law enabled these State courts to issue injunctions denying to the workers the right to conduct activities which the Taft-Hartley Act itself permitted and protected. Strikes conducted by the Textile Workers Union of America against Exposition Cotton Mills, Athens Manufacturing Co., and Crompton Highland Mills in Georgia, Brewton Weaving, Bonita Ribbon Mills, Gurney Manufacturing Co., and Jewel Fabrics in Alabama; and against Pee Dee Cotton Mills, Safie Manufacturing Co., and Amazon Cotton Mills in North Carolina, all were restrained by court orders arbitrarily issued without a hearing soon after the workers left their jobs.

These arbitrary denials of the right to strike and picket place the power of Government on one side of a collective-bargaining dispute; make agreement with the employer almost impossible; marshal the forces of law and order against the employees; justify the presence of unusually large number of police officers, State highway patrolmen, and sometimes national guardsmen; and excuse the use of brutal violence against the employees. I do not mean to suggest that a State should be powerless to deal with violence arising out of a labor dispute, but the cloak of violence should not be used to cover types of concerted action which were not violent and which were protected by Federal statute. Most of the New England States and many other States have statutes similar to the Norris-LaGuardia Anti-Injunction Act.

Although I realize that the solution to this problem is a difficult question of legislative draftsmanship and constitutional law, I am confident that Congress can enact appropriate legislation to enable its will to be carried out and to prevent the widespread abuses of the labor injunction which presently prevents the orderly conduct of industrial relations.

May I also add that it is most important that not only should liberalizing amendments including those mentioned above be adopted by the Congress, but that further restrictive amendments be defeated. To extend to representation elections the present license an employer is given in making intimidating statements would be to stop union organization in unorganized and hostile areas almost completely. To ban industrywide bargaining, even where agreed upon by employer and employee, would bring chaos and increased wage differentials in the garment and other industries which are located in more than one region.

I am hopeful that a fair and workable labor-management relations act will be passed by the Congress, fully protecting the public interest, our standard of living and the rights of employers and employees, with a minimum of government interference in the collective-bargaining process.

MINORITY EXPLOITATION

The next step, Mr. President, in attempting to put the cost of labor in this country, which is an important factor in industrial dislocation, on a fair and equal basis, is the prevention of exploitation of minority labor. Although Negro employment is very low in the textile industry, the presence of such a large group of workers subject to unequal wages depresses wages for all. In 1950, the Negro wage and salary worker earned an average of about $1,300, or 52 percent of the average for white workers, according to census figures. Such discrimination is one of the worst types of labor exploitation. Frequently it means that men doing the same job at the same level of skill and under the same conditions are paid unequal wages. The accumulated experience of many States and dozens of municipalities, as pointed out by the report of the Committee on Labor and Public Welfare in the last session of Congress, proves that discrimination in employment can be minimized. Such discrimination also has, of course, other very serious adverse effects upon our international relations, our society and the individual which are not pertinent to this present discussion.

This country does not believe in discrimination or the exploitation of minority labor or in paying unequal wages for equal work. We do not believe that any manufacturers should gain a competitive advantage through discrimination. I think it is important for purposes of fair labor standards and fair competition throughout the country that such discrimination in employment be discontinued.

A second step in regard to this same problem concerns the enforcement of nondiscrimination provisions in Federal contracts. The recent report of the President's Committee on Government Contract Compliance stated that the nondiscrimination provision was "almost forgotten, dead and buried under thousands of words of standard, legal and technical language in Government procurement contracts." The nondiscrimination clause is the means by which Federal contracting agencies direct that the million of American workers in private industries whose skills are paid for in whole or in part by Federal funds be recruited, hired, trained, paid, and promoted in accordance with their merit, in all parts of the country. The need for action on this provision, said the report, is an important responsibility of the Nation, particularly in times of defense mobilization when the fullest utilization of manpower is imperative.

The committee recommended that when conciliation and persuasion failed in enforcement of the nondiscrimination provision, "contracting agencies enforce the provision where practical through termination of contract, injunction, or disqualification from future contracting" and that if these remedies prove ineffective, legislation be enacted support-

ing the use of arbitration to obtain conformance.

I am hopeful that the Congress will review this situation and enact such legislation to prevent minority discrimination on Government contracts in the near future.

Finally, in dealing with the overall cost of labor which affects the location and migration of industry, we must not forget those nonwage payroll costs which today form a substantial percentage of total labor costs. Naturally, a large percentage of such costs involve private matters for collective bargaining or industrial policy, and others are confined to matters of State law. But I should like to mention briefly two items which are within the jurisdiction of the Federal Government and which do affect the differential in labor costs between various areas of the United States.

OLD-AGE AND SURVIVORS INSURANCE AND PENSIONS

The first of these relates to our Federal old-age and survivors insurance legislation. I think there is nearly unanimous agreement in the Senate and throughout the country that these laws do not provide real social security today. And yet in too many plants, in too many industries, in too many parts of the country, the $50 or so a month received by the retired worker under the Federal program is the extent of his benefits. Not enough New England textile mills have pension and insurance programs, but the amounts paid by those who do are, I am sure, enough to more than offset the slightly higher proportion of pension plans, though not survivors' insurance plans, in the southern mills; and the report to the President by the Committee on the New England Economy urged higher social-security benefits all over the Nation to include those concessions now privately granted by New England's textile mills.

Subsequently, I shall go into more detail as to specific means of improving our old-age and survivors insurance program. But I wish to stress at this time, with respect to the matter of labor costs, that the present low level of benefits paid under the social-security law acts as a subsidy to that employer who refuses to supplement this annuity with a private pension in his competition with those more enlightened employers who make financial contributions to employee pension programs. A large percentage of such private industrial pension plans are based on what is known as the offset or deductible method. Under this method, the retiring employees or their survivors are assured of a monthly annuity of a fixed sum, such as $125 a month, to consist of their social-security annuity and the difference paid by the employer's pension fund. There are merits for and against this particular type of pension plan which I do not now intend to discuss; but it is obvious that the present low level of social-security benefits increases the amount which such an employer must contribute for the old age of his employees or their survivors, while requiring the less-enlightened employers who have no such fund to pay only the 1½-percent payroll tax required under the social-security law.

I know of no reason why the policy of the United States should result in certain employers paying large sums in order to provide their retired employees or their survivors with an adequate standard of living while their competitors make disproportionately smaller contributions to a Federal program which does not provide that adequate standard. As mentioned earlier, I shall subsequently discuss the particular provisions in our social-security program which are in need of improvement and which will call for a higher level of benefits.

But as a matter of equality in nonwage payroll costs, as pointed out by the Committee on the New England Economy, increased social-security benefits narrow this labor cost differential still further.

UNEMPLOYMENT COMPENSATION STANDARDS

The second item of nonwage payroll costs which is within the jurisdiction of the Federal Government is our unemployment compensation program. Although this is administered primarily on a State level, the basic law is a Federal statute. Here again, unless minimum standards are provided for each State, employers in various parts of the country will suffer or gain unfair advantages because of the degree to which they themselves or their State legislators are concerned over the problems of unemployment. As stated by the report of the Committee on the New England Economy, with respect to benefits under unemployment compensation as well as minimum wages and hours, "We strongly recommend that wherever possible the Federal Government should adopt minimum standards of working conditions and social services. In this way, the competition among States to improve their competitive position by retarding the growth of their service would be met."

As pointed out by the committee, to the extent that the cost of these various programs is not borne by labor, but by the consumer in higher prices or by business in lower profits, the competitive position of New England and other advanced areas is injured. We are not ashamed of our high social legislation standards in New England, just as we are not ashamed of our high wages. Nor am I persuaded that they are yet high enough Well-designed and administered social programs are not drains but investments which will pay large dividends and which are important to our democracy and our economy. But we see no reason for being penalized for being in the vanguard of social legislation by incurring competitive business disadvantages, even though they may be temporary.

The unemployment compensation programs of the New England States are on the whole somewhat more adequate than the country at large in terms of the amount of qualifying earnings, weekly benefit amounts, maximum weekly benefits, total benefits allowable in the benefit year and duration of benefits. In 1949, the average cost of unemployment insurance in the Nation as a whole was 2.2 percent of taxable wages. The cost was 3.7 percent for New England, and a maximum of 6.3 percent for Rhode Island, 3.9 percent for New Hampshire, and 3.6 percent for Massachusetts. On January 1, 1952, Massachusetts provided for a weekly unemployment benefit from $7 to $25 and up to $51 where dependents were involved, for a total of from 21 to 23 weeks; this may now be increased to 26 weeks. In Rhode Island, there was a maximum of $25 a week for 26 weeks; and similar figures prevail for most other New England and Middle Atlantic States. But in Mississippi, the weekly benefit amount ranged from $3 to $20 in the case of total unemployment for a maximum of 16 weeks; in South Carolina, from $5 to $20 for 18 weeks, and in Virginia from $5 to $20 for 16 weeks. Thus, the average weekly payment in the spring of 1952 was nearly $25 in Massachusetts, nearly $22 in Vermont and Rhode Island, and nearly $21 in Connecticut and New Hampshire; but it was less than $17 in Mississippi, North Carolina, Georgia, Tennessee, and Texas; and little more in Kentucky, South Carolina, Alabama, Arkansas, Virginia, and Florida. Similar examples of standards below what is now generally considered to be an adequate minimum level and duration of payments may be cited. Such standards frequently have not been raised for years despite the increased cost of living. They create discriminatory advantages in the nonwage payroll cost to be borne by employers and the public in particular States.

Of course, a large part of New England's problems with respect to the unemployment-compensation program has been the high incidence of unemployment in the past few years, particularly in certain industries and communities, as already noted. However, a principle I have previously stated with respect to old-age and survivors insurance is equally applicable here: That employers in particular States should not be penalized competitively because their State has adopted adequate minimum standards for unemployment compensation program under Federal law. For several years, many of us have called attention to the inadequacies of unemployment benefits in various parts of the country, including New England, and have recommended Federal minimum standards as the long-range solution to this and other shortcomings of the unemployment-insurance program. Minimum standards of this nature were recently recommended by the New England Governors' Textile Committee. This amendment would in no way involve Federal control any more than Federal control is involved in other labor standards legislation or in other State-grant programs. Such a law should provide for a minimum—probably of 26 weeks, one-half of a year—for the duration of unemployment benefits, and an adequate minimum and permissible maximum of amounts of benefits to be granted, as well as improving present standards of coverage. Naturally, an adequate period of time would be given to each State to amend their laws to meet such standards.

I am hopeful that Congress will see fit to enact minimum standards for the

amount and duration of payment of unemployment benefits in order to prevent the continuance of inadequate programs in any part of the country, a situation which adversely affects those regions with adequate programs.

In summarizing the issues of depressed labor costs and their effect on industrial decline and dislocation, I would simply say: The exploitation of labor or lack of adequate standards should not be a factor in fair competition. Whether such workers are nonunion, in sweatshops, children, learners, or Puerto Ricans, or whether they are denied adequate wages, pensions, or unemployment benefits, the effect is to damage the well-being of not only those workers, but employers, employees, and the public everywhere.

TAX ABUSES

Next, Mr. President—and this is a long overdue matter—we must eliminate those competitive abuses of Federal income-tax privileges which have contributed to unnecessary and undesirable industrial migration and dislocation.

MUNICIPAL SECURITIES

Under this category, there are five particular abuses which I wish to discuss. First, we must eliminate the Federal income-tax exemption given to municipal securities which are used for commercial, nonmunicipal purposes such as the acquisition of sites or plants for use in new industry.

There appears to be a growing tendency of States, counties, and municipalities to use their credit to issue tax-exempt bonds for the construction of factories which are subsequently leased, loaned, or given to private profit-making enterprises. This is a problem which has been particularly harmful to the textile industry and attention has been called to it on more than one occasion by the New England governors.

Such tactics have been employed recently in Kentucky, Mississippi, Tennessee, Alabama, California, and Illinois; other States, including Arkansas and Louisiana, appear on the point of following suit. A short time ago, a community in Tennessee completely financed a modern textile plant for the purpose of luring a New England textile mill to the locale. Very recently the city of Florence, Ala., issued 5-percent convertible revenue bonds to finance the construction of a building to be used by a private corporation for the manufacture of ceramic tile, and offered a Massachusetts textile firm a low-rent 30-year lease to its municipally financed industrial building. Walton County, Ga., according to a Boston Herald column, offered free building sites as 1 of 40 attractions. According to a recent edition of the Springfield Free Press, the American Bosch Co., a permanent fixture in the industrial life in the city of Springfield, is leaving its location in that city for a free plant, free taxes for 10 years, and low-wage labor in Columbus, Miss. In Mississippi, communities can authorize bond issues to build plants for new industries certified by a State industrial board as acceptable, the bonds to be retired over a 20-year period by the rent the industry pays on the tax-free plant. The mayor of Woodsville, Miss., offered both site and building to a Connecticut manufacturer. Another southern community has recently voted $26 million worth of bonds to build industrial plants and lease them to private manufacturers, among them a well-known textile manufacturer.

As municipal property these buildings escape local property taxes, and the companies operating them pay only the lower rent made possible by this means of financing. Moreover, since interest on these municipal and county bonds is exempt from Federal income taxes, they can be financed at lower interest rates. Such methods induce bargain-seeking manufacturers in other areas to abandon their plants and workers to accept the gains of such a tax dodge; and constitute unfair competition to a private company which would have to pay higher interest rates to finance taxable bonds for a new plant. I am told that because of reduced overhead costs, this type of financing within the textile industry may result in new mills being established only in those States offering such tax dodges. One tax expert concluded that a municipally financed $8 million cotton mill needed only 2.4 percent purofit on sales to stay in business, compared to a 4.36 percent return needed by a privately financed cotton mill.

These bonds are not issued for a public purpose, as Congress originally intended that term. There is no reason why they should be permitted to escape the Federal taxation which applies to all other commercial bonds. As a recent editorial in the Boston Record stated:

> We have always been highly ethical in our treatment of municipal bonds. We issued

them in the approved and proper manner for the construction of schools, water systems, streets, and hospitals. Since these securities are tax-exempt, we felt that their use should be prudently restricted and their value never impaired.

Instead of utilizing their municipal bonding privileges for public works and the protection of the people from disaster and disease, the southerners put up streamlined mills which various cities and towns rented for almost unbelievably small amounts to bargain-hunting individuals and corporations from the North. This naturally enabled the fugitives to pare down their tax bills and to slash their operating costs so drastically that they could undersell their northern competitors in the domestic and foreign markets.

This is not in keeping with our tax policies, nor is it free enterprise. As pointed out by an editorial in the Textile World for February 1952, "such practices are a gross inequity; a sly, unfair, and potentially vicious financing scheme; a tax dodge" and a conspiracy to give such plants a competitive advantage in their market over businesses established on the basic American principles of private ownership. In the words of the Southeastern States Tax Officials Association, speaking in conference at Atlanta, Ga., in September 1951, this practice is "inequitable and unfair to industry in the State and detrimental to the taxpayers of the State because what is given away must be paid for by other businesses and individuals, ultimately, thereby creating an unhealthy social and economic condition." The Investment Bankers Association of America recently requested its members to refrain from purchasing such securities.

Moreover, the industries thus attracted are migrants, not new enterprises. Obviously not devoted to the public interest or high ethical standards, they leave behind them stranded workers and sometimes stranded communities. Once having accepted such benefits and a few years of heavy profits, they may again move leaving the community with empty buildings and a heavy bond issue. As such use of public credit spreads, no community can be sure of the stability of the enterprises on which its citizens depend for their livelihood. In one town of only 10,000 people, municipal bonds for private industrial plants were proposed to the extent of $51 million, or an additional debt load of more than $5,000 plus interest for every man, woman, and child in the town.

What happens when their new-found benefactors leave for another bargain elsewhere?

Congress should take action to eliminate the Federal tax exemption on municipal securities used for purely commercial, nonmunicipal purposes in order to prevent further such abuses and unfair methods of competition.

CAPITAL GAINS

Secondly, Congress should eliminate the opportunity for repeated abuses of the capital-gains preferential treatment on income received by financial speculators from the liquidation of going concerns purchased for financial manipulation rather than operation. The capital-gains provision has been increasingly used by such persons, rather than legitimate commercial operators, to exploit and destroy established and profitable businesses for personal gain, regardless of economic dislocations and human waste. The misuse of the lower tax rate on capital gains has been a factor in many textile mill sales and liquidations since World War II, I am told, and apparently in liquidations in other fields, including leather, tobacco, and retail establishments.

Such speculators make a business of acquiring going concerns and shortly thereafter liquidating them in order to receive the income therefrom under a preferred tax treatment. Surely this is not the purpose for which the capital-gains-tax privilege was intended. When used in this way, the lower rate does not induce new capital investment in productive enterprises as was the aim of this legislation, but on the contrary drains it off. In one example which has been cited to me a single group of speculators, through a series of financial manipulations over a period of 8 years involving about a dozen allegedly different corporations, has been able to list most of the taxable income from the textile mills involved as capital gains, thereby paying a maximum tax of 25 percent—now 26 percent—instead of the higher rates intended by the tax laws. As a part of these maneuvers, the capital assets of one textile mill in New Bedford, Mass., were so impaired that it was liquidated in 1949, destroying 1,000 jobs; other mills met a similar fate. The fact that the enterprise may be a successful one makes no difference under these circumstances. For example, one mill which had reported earnings of $395,000 in the pre-

vious year was liquidated with dire consequences to the community simply because such liquidation was more profitable under these tax-avoidance schemes. Such manipulators are intent on bleeding the productive enterprises in which they have gained control without regard to the welfare of their workers or the communities in which their plants are located.

I am not proposing that the preferential treatment of capital gains be ended; and I realize that any limitation is difficult to draft and administer. But I am proposing that the repeated abuse of the capital gains privilege for the purposes of liquidating going concerns be prohibited under the Internal Revenue Code.

CHARITABLE TRUSTS

Third, Congress must take further action to make effective the elimination of the abusive use of charitable trusts and tax-free institutions to acquire business concerns. Such abuses have contributed to the decline of New England textiles, as pointed out in the Report of the New England Governors' Committee; and the same report points out that apparently the 1950 Revenue Act has not yet solved these problems.

I am sure that no one who was in the Senate in 1949 has forgotten the investigation of the closing of the Nashua, N. H., mills by the Textron Co. as a part of a manipulation of mill properties through the use of a charitable trust. Such hearings demonstrated that such charitable trusts and similar tax-exempt organizations were being used to avoid Federal income taxes, often with serious effects upon a particular industry, plant, or community. Title 3 of the Revenue Act of 1950 was intended to close this loophole; but experience has shown that it did not do so completely.

The outstanding example of the apparent need to tighten this loophole, as reported by the Governors' Committee, is again a recent action of Textron, who sold a mill to a southern university; the latter could pay a relatively high price because of its tax-exempt status, and then "permitted" Textron to manage the mill and pay only a fixed sum each year.

In general, the Internal Revenue Code now provides with respect to charitable, educational, and certain other tax-exempt organizations that, first, such organizations are taxable upon income derived from unrelated business activities and from long-term leases of property acquired with borrowed funds; second, upon engaging in specified types of prohibited transactions with the donors, or upon accumulating income under certain specified circumstances exemption will be totally or partially denied, subject to certain limitations; third, annual information returns available to the public indicating the nature of the operating activities are required to be filed; and, fourth, feeder organizations, enterprises all of the income of which is distributable to an exempt organization, are taxable in the same manner as other corporations. These provisions are modifications, however, of the original proposals to prevent such modifications and were, of course, made in good faith; but a further review is now needed in the light of subsequent experience with these provisions.

I recommend that the tax-exempt charitable trust loophole which permits discrimination and unfair competition be tightened to prevent further abuse.

PUERTO RICO

The fourth item of competitive abuse of tax privileges is the total tax exemption which is offered by the Puerto Rican government to industries which come to that island. Although closely related to the first abuse mentioned dealing with the use of community bonds, this raises many more difficult questions. At the present time, certain new industries are granted a complete exemption from income taxes, insular and municipal property taxes, and certain license fees, excise taxes and other levies imposed by the insular and municipal governments of Puerto Rico for the period from July 1, 1947, to June 30, 1959; a 75-percent exemption from such taxes for the fiscal year 1959–60; a 50-percent exemption for the fiscal year 1960–61; and a 25-percent exemption for the fiscal year 1961–62. Recently, the Governor has requested a still more far-reaching program of tax exemption. In addition to permitting the payment of unbelievably low wages, not being covered by the Fair Labor Standards Act minimum as previously discussed, Puerto Rico further offers direct subsidies to attract continental industries. United States corporations in Puerto Rico and Puerto Rican corporations, as well as citizens of Puerto Rico, do not, except under special circumstances, pay Federal income taxes to the United States.

I fully sympathize with the need of Puerto Rico for further industrializing its economy; and I am opposed to undue interference by the Congress in Puerto Rico's affairs since the granting of its constitution. But, I cannot believe that Congress is powerless to act upon the type of unfair competition and industry dislocation which such tax exemptions create. This situation is exemplified by the following letter to the president of a textile mill, in a Massachusetts community already hardhit by dislocation and unemployment, from a Puerto Rican government official, attempting to induce that mill to migrate to Puerto Rico. The letter stated:

In brief, we can offer complete tax exemption for a period of years, an abundance of good help at approximately one-third of the going rate in the continental United States, a help training program which is to a large extent free, plus liberal terms for financing both machinery and buildings.

Puerto Rico is able to offer complete tax exemption as it is an unincorporated possession of the United States without voting representation in Congress. Accordingly it is not subject to the usual Federal tax and writes all of its own tax legislation. There are no duties on goods of Puerto Rican manufacture imported into the continental United States as Puerto Rico is within the United States customs boundary.

The Textron hearing in 1949 also revealed a similar situation. As stated by the Report of the Committee on Interstate and Foreign Commerce at that time, the workers and manufacturers in both New England and the South who must sell in the same market with Puerto Rican products find their economic livelihood threatened by the activities of a government heavily subsidized by the United States Government, but paying nothing into the United States Treasury.

As stated by the committee investigating the Textron case:

The subcommittee recognizes that when our Government acquired Puerto Rico it assumed an obligation to take reasonable steps to help this impoverished Territory to improve its economic condition, with the hope that eventually it could arrive at an economic parity with the continental United States. However, any program conducted or tolerated by our Government should not be at the undue expense of our continental wage earners and our continental industries.

It is my intention to introduce a resolution to determine what appropriate action can be taken by the Congress to prevent the abuse of Puerto Rico's tax privileges which are employed to lure going industries and thus result in industrial dislocation and unemployment in this country. From a strictly legal point of view, the constitutional relationship of Puerto Rico to the United States remains unchanged. The statute which authorized the Puerto Rican constitution continued in force those Federal statutes which provided the authority to the Puerto Rican Legislature to levy certain forms of taxes and fees for the support of insular and municipal government. Such sections, therefore, could be amended without infringing upon or repudiating the compact by which the people of Puerto Rico were authorized to organize their own government. Such amendments should be enacted if we are to save both the people of Puerto Rico and the United States mainland from exploitation by those unscrupulous manufacturers abusing such tax privileges.

Congress must give careful study and enact appropriate legislation to prevent the abuse of Puerto Rican tax privileges.

CERTIFICATES OF NECESSITY

Fifth and finally, Congress should take action to eliminate the abuse of awarding certificates for rapid tax amortization which result in undesirable industry dislocation, or which are awarded without regard to available sites or facilities in labor surplus areas. Moreover, such grants should be reviewed and revoked whenever the facilities are not used for the emergency defense purposes upon which the grants are based. The enactment of such conditions would, I believe, dovetail with the previous proposals I have put forward regarding our tax amortization or rapid depreciation program; namely, the use of such tax privileges as incentives to industries expanding in labor surplus areas as well as to older industries seeking to replace and modernize equipment; and the prevention of a disproportionate distribution of such incentives. Even should those other proposals fail of enactment, it is most important to prevent the further use of such certificates under our present defense program from contributing to undesirable industry dislocations and widespread unemployment.

My concern over the abuse of this tax privilege is not aroused by purely theoretical possibilities. For example in

examining the list of certificates of necessity issued to companies in the textile industry, I find that the J. P. Stevens Co., Inc., applied for such a certificate for facilities to be located in Stanley, N. C., on March 28, 1951. Only a few days later, the same company announced the liquidation of its Haverhill mills, throwing over 400 employees out of work.

According to James B. Carey, president of the IUE-CIO, there are these further examples in the electrical industry:

General Electric secured a certificate of necessity for $20 million to build and equip an immense plant at Louisville, Ky., supposedly to make jet engines. But the company then discovered that only a small area was needed for jet engines, and is proceeding to shut down GE plants at Trenton, N. J.; White Plains, N. Y.; South Scranton, Pa.; and Bridgeport, Conn., and move 19,000 refrigerators, washing machines, and other appliances jobs to the new Louisville plant.

Westinghouse received a $20 million certificate of necessity for a jet engine plant at Columbus, Ohio, discovered it was not needed, and now plans, says Mr. Carey, to move the refrigerator division from Springfield, Mass., and Mansfield, Ohio, to Columbus.

Westinghouse has received $10.5 million in tax amortization to build a new meter plant at Raleigh, N. C., which may involve the loss of jobs of hundreds of workers in Newark.

Hundreds of workers may suffer loss of jobs and wage cuts because Westinghouse secured $12 million tax amortization at Horseheads, N. Y., and another $6.8 million at Bath, N. Y., for electronic tubes which had been produced at Bloomfield, N. J.

These moves, as already pointed out, leave in their wake thousands of unemployed, loss of seniority, and pension rights, and serious community problems. All too frequently such moves are made in order to exploit the cheap, unorganized labor of the new rural or southern locations. What made all the more tragic the awarding of the tax-amortization privilege of $25 million to the General Electric Co. for a new transformer plant in Rome, Ga., was the fact that this threatened further curtailment of General Electric's activities in Pittsfield, Mass., which at the very time such certificate was awarded was classified as a group III labor surplus area.

I protested this action to the Defense Production Administration at this time; but was told that such a move was justifiable under the statute as it is now worded. I was happy to read a recent address by a Pittsfield General Electric executive reasserting that corporation's belief in and practice of community responsibility, and its plans to expand further at Pittsfield; but I am nevertheless convinced that those communities with corporations less responsible or mistaken in their intentions need to be protected from Government incentives to unnecessary and undesirable migrations. I believe, therefore, that administrative action or legislation is necessary first to prevent rapid amortization certificates now being given for emergency defense facilities from being used where undesirable industrial dislocation accompanies such expansion; that is to say, where the recipient while building these facilities is simultaneously closing down or curtailing activities in similar facilities in other parts of the country; and second to condition the awarding of such rapid amortization certificates upon the recipient's first using—or justifying his not using—existing facilities in labor surplus areas, and upon the recipient being required to give priority in the selection of the site for such emergency facilities to labor surplus areas. No tax amortization certificates should be issued by the Government to replace existing production, nor should such certificates be issued for plants which would have been constructed in the absence of such tax amortization certificates. Finally, it is fundamental that such tax privileges should be revoked whenever the facilities are not used for the purposes stated in the certificate of necessity. To my astonishment, I have learned that practically no check or review for possible revocation is provided under the present program, regardless of the use to which such facilities may be put once the tax privileges are given. Such conditions would not and should not make mandatory the location of industries in such areas, nor even the utilization of the obsolete facilities which at present plague New England.

Such legislation will be of particular importance if our defense expansion goals are increased. Presumably, the present regulations of the Office of Defense Mobilization deny certificates to a facility or part of a facility which is or will be used in lieu of existing facilities, with certain exceptions; presumably such regulations further provide that the adequacy of existing facilities for the production of the goods to be manufactured by such new facilities must also be considered. The investigation of the Hardy subcommittee of the House Committee on Government Operations 2 years ago, however, indicated that such regulations were not being strictly enforced, particularly on a nationwide basis. Such statute as I propose would not, therefore, impair the effective administration of such a program, but would provide specific authority for such regulations and carry their intent another step to meet more adequately the situation I have described.

The Federal Government should not positively aid the shifting of industry from one section of the country to another with disastrous consequences such as I have previously discussed. Nor can I see why the Federal Government, which has talked so long about aiding labor surplus areas without offering more than token assistance, should fail to give preferential treatment to such areas in the awarding of such certificates.

A prosperous, growing economy in every section of the country is an important pre-requisite for a strong Nation. I am hopeful that Congress will condition the granting of tax amortization certificates for defense facilities in this manner in order to prevent their abuse and undesirable consequences of industrial dislocation.

FEDERAL INCENTIVES

There is a third important step, in addition to its role in equalizing the cost of labor and preventing tax abuses, which the Federal Government can take to prevent further industrial migration and dislocation and a general business decline in those problem areas such as I have pointed out exist in many parts of New England; I speak now of an equitable distribution of Federal business incentives. Of course, the Federal Government assists business in many ways, most of which I shall not attempt to discuss here. Moreover, in many of these items considerations of areas are practically irrelevant. However, I feel very strongly about the need for an equitable distribution of Federal business incentives of at least three types in particular—first, the allocation of defense contracts; second, Federal projects; and third, certificates of necessity for rapid tax amortization of defense facilities.

GOVERNMENT CONTRACTS

Although I realize that Government contracts even during emergency times are not only a temporary but a wholly inadequate solution to the problems of distressed industries and areas, it is obvious that they are helpful step in enabling a community or industry to get back on its feet. It is my intention to introduce legislation specifically providing for the awarding of certain public contracts to bidders from areas of very substantial labor surplus where their bids do not exceed by more than a fixed percentage the lowest bids submitted from other areas. I emphasize the word "specific" because New England has had earlier experience with both legislative and administrative action which were aimed at the allocation of defense contracts to so-called distressed areas, but which, because of some loophole or legalistic sophistry, have failed to be of any assistance whatever.

Such a bill as I propose would provide more specific authority for Defense Manpower Policy No. 4 than is now provided by the "public interest" provision of the Armed Services Procurement Act and the opinions of the Comptroller General. More important, such legislation would close the loopholes of that policy which have prevented it, despite the fact that it was inspired by the conditions of New England's textile towns, from being of any real help in alleviating the unemployment situation in those communities. Such a bill would make certain that the allocation of such contracts to companies with plants in labor-surplus areas would result in additional employment in those areas, and not merely in such contracts replacing present work which is either put aside or placed in other plants of the same company in other areas. Only areas of very substantial labor surplus and only responsible bidders who are in the lowest range of bids would be covered by such a bill in order to prevent wholesale abuses of such a privilege. Moreover, such allocation of

contracts to areas of unemployment must not result in unemployment in other areas.

The report of the New England Governors' Committee on the Textile Industry recommended that defense contracts need not and should not be awarded exclusively according to price bid, particularly since Government procurement agencies already depart from the principles of sales to the lowest bidder. "In awarding contracts," the committee stated, "the Government should consider the amount of unemployment in definite regions, States, and local areas since the diversion of contracts to distressed areas will help to lower the cost of unemployment."

These are matters of immediate administrative, as well as legislative, concern. Speaking now with particular reference to the problems of the textile industry, I am hopeful that either through Congressional mandates or administrative action the Defense Department will be more alert to the problems of the industry and the unemployment which is continuing. If defense orders could anticipate the fluctuations of the industry, and the Department could accelerate its orders and stockpile its textile goods accordingly, the situation would be at least somewhat improved. At the present time, despite the recommendation made by the textile panel of the Surplus Manpower Committee, mills operating 80 hours or less per week are rarely, if ever, given preference over mills operating more than that. There is general agreement among leaders in both labor and the industry, as well as impartial observers, that the surplus manpower contract allocation program has been a failure as far as textiles, and particularly woolen and worsted mills, are concerned. For example, the workers of Asheville, N. C., can understand the disdain which the workers of Lowell, Mass., have for Defense Manpower Policy No. 4, inasmuch as its so-called preference has been no preference at all. New England textile and apparel contracts in the first 2 months of 1953 amounted only to about $13 million.

I realize that the policies which I am now discussing are fraught with serious problems with respect to both the economic principles involved and their administration. I realize that some may say that such policies are inefficient and uneconomical. But surely 10,000 or more unemployed textile workers in Lawrence, Mass., drawing unemployment or assistance payments are not contributing to our efforts to economize. Surely the idle mills and machines, as well as idle men, in textile areas both North and South are not contributing to the efficiency of our mobilization production. Surely it is more inefficient and more uneconomical to waste the skills and facilities and human and material resources which could otherwise be utilized in our national production if only some slight preference were given to them.

Moreover, there are other considerations besides economy and efficiency. In Lawrence, Mass., in April of this year, the Communists distributed leaflets attempting to exploit the acute distress in that city for propaganda purposes. That attempt was wholly unsuccessful in terms of winning converts in Lawrence; but it serves to illustrate the advantage we are handing to communism, both locally and internationally, when we fail to take action in areas which have suffered several years of serious unemployment and poverty.

Widespread unemployment in any area should be of concern to all the Nation; and so should adequate methods of contract allocation to alleviate that unemployment. It is better to bring defense work to the workers, who are in need of jobs in their own communities, rather than move those workers to already tight areas with overloaded schools, housing, and other facilities. If they are not moved and do not migrate, unemployment continues to increase and, as pointed out, the national interest is further harmed through the loss of their contribution and the welfare funds necessary for their support. Moreover, the conversion from civilian to military production has been the cause of much of our dislocation and unemployment.

Those other areas of the country who have in the past objected to such a policy should remember that these distressed areas are not confined wholly to one section of the country; and that regions which have received so much assistance of other kinds from the Federal Government should not object to a temporary relief measure of that type. Although Government contracts are one method of at least easing extensive transitions, such a policy is not going to prevent the overall operations of the forces of free and fair competition. The allocation of defense contracts to labor surplus areas and the granting of preference to such areas, as well as giving special consideration to distressed industries, are founded on those principles which have been applied to aid every industry in every section of the country, and which are particularly important now in the light of the problems I have discussed. I am not proposing that we abandon the principles of awarding contracts at the lowest cost to the Government, but merely that the Government recognize the necessity of placing contracts in the areas that most need them. The Federal Government at present attempts to meet the problems of surplus agricultural commodities in a manner which its most enthusiastic supporter could not call wholly efficient and economical; surely the same consideration may be given to our surplus human resources. Nor is the principle a new one in the specific field of awarding defense contracts. During World War II, it was a common procedure to award such contracts to those other than the lowest competitive bidder and this had the approval of Congress and the Comptroller General. Thus, I am asking only that our present policy be made more effective and more specific in order to achieve a greater utilization of the manpower skills and facilities now wasting in areas of substantial labor surplus.

Specific legislation giving priority in the awarding of defense contracts to areas of substantial labor surplus is needed if the distribution of these Federal business incentives is to be equitable, and undesirable dislocation halted.

GOVERNMENT PROJECTS

As a matter of long-range legislative objective, rather than specific legislative or administrative directive, it is important that we strive for a fair allocation of Federal projects, installations and grants. Such expenditures by the Federal Government are no insignificant contribution to the economic life of an area, and it is important that all parts of the country receive equal consideration in the distribution of such benefits. New England has not received its fair share of such projects and, as a result, its economy lacks that additional aid which such Federal projects and grants might otherwise have provided. I have long believed, for example, that a major operation of the Atomic Energy Commission might well be located in Massachusetts whose facilities for research and traditions of scientific development are unequalled. Lawrence, with 47 acres of available land on the Merrimack River, could be the ideal spot for some installation.

Massachusetts received only 1 percent of the value of Federal contracts for various facilities, projects and other Federal construction in 1952; yet this was far more than any other New England State. Not one of the 8 Southeastern States—Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, and Virginia—had as small a share. Indeed, the share of any one of 4 of these States, Alabama, Kentucky, South Carolina, or Tennessee, was greater than that awarded all 6 New England States combined.

Those of us who represent New England in the Congress must continue to be alert to the needs and opportunities of our region in the awarding of Federal projects, installations and grants.

TAX AMORTIZATION CERTIFICATES

Finally, in order to prevent widespread and unnecessary industrial dislocation and decline through inequitable distribution of Federal business incentives, I propose that Congress enact legislation to prevent grossly unequal geographic distribution of certificates of necessity for rapid tax amortization of defense facilities. The present program of accelerated amortization, and it may well be that the program has already passed its peak, has had the effect of a discriminatory action on the part of the Federal Government against New England and other areas; and if, because of world conditions, the program continues to be of importance in the defense production picture, such regional discrimination must be ended.

As I have previously discussed, such certificates have frequently been used as an incentive for particular instances of plant migration with resultant unemployment. But I shall talk now about the effect of providing one area of the country—and speaking frankly I refer to the South—with a disproportionate share of such incentives while not providing the same opportunities to New England and other areas. New England's participation in these programs, which foster new productive capacity with the privilege of accelerated amortization and tax concessions, has been disproportionately small in terms of its population, income, manufacturing employment, defense contribution and willingness to expand. During World War II, although New England received over 9 percent of the contracts for military goods, she received only about 4.5 percent of the contracts for expanding plants and equipment. A similar disproportion exists in the certificates awarded during the Korean emergency. By the end of 1952, New England firms had been granted little more than 1,000 certificates for $612 million in new plants and equipment, approximately 2.5 percent of the comparable total for the United States, and this figure fell further during the first 10 weeks of 1953. The percentage is even lower if transportation and electrical utilities are excluded. According to the latest release of the Defense Production Administration, the 4 West South Central States, with far less defense participation, had certificates of necessity for projects worth 5 times the amount awarded the 6 New England States. Similar comparisons may be made with the South Atlantic and East South Central States. One of the most frequently cited bases for comparing certificates issued is the "value added by manufacture" in each region.

Mr. President, I ask unanimous consent that there be inserted at this place in my remarks a table comparing the percent of the cost of facilities receiving certificates of necessity as of September 30, 1952, by region and the percent of value added by manufacture in such region in 1950.

The PRESIDING OFFICER (Mr. FERGUSON in the chair). Is there objection?

There being no objection, the table was ordered to be printed in the RECORD, as follows:

	Certified facilities	Value added
	Percent	*Pe cent*
New England	2.88	8.27
Middle Atlantic	20.92	26.20
East North Central	26.12	33.24
West North Central	7.44	5.72
South Atlantic	8.27	9.42
East South Central	5.44	3.84
West South Central	18.97	4.29
Mountain	2.86	1.1[illegible]
Pacific	7.09	7.85
Total	100.00	100.00

Excluded from the total cost figure of $23,007,800,000 are $8,000,500,000 for transportation, storage and public utilities which are not allocated by States, and $347,500,000 of other certificates in continental United States not allocated by States or which are outside the United States.

Mr. KENNEDY. Mr. President, from the foregoing table, it will be seen that proportionately New England has obtained certificates for about one-third of the percentage it has had of value added by manufacture. This is much the lowest proportion of any section of the country. The Middle Atlantic and East North Central States, and South Atlantic and Pacific have also obtained proportionately less in certificates than they have had in value added. Great gains have been concentrated in the West South Central area—Arkansas, Louisiana, Oklahoma, and Texas—whose percentage of certificates is 4½ times its percentage of value added by manufacture in 1950.

One of the major consequences of a disproportionate award of certificates to one section of the country, is that after the emergency there may be surplus plants in some industries. If there is such a surplus and an industry has both efficient plant and inefficient plant, it will naturally close the inefficient plant. If the old, obsolete, wornout and inefficient plant is concentrated in one section of the country because it failed to get certificates of necessity, then that area will be the one to suffer. Each area should be entitled to its share of government aid in expanding production, or those discriminated against will suffer in the years to come. That area is certainly justified in pointing out any discrimination against it and may well argue that it is entitled to legislation protecting it in the future. As pointed out earlier, our Nation as a whole cannot prosper to the degree it should, if one of its major regions is economically sick.

According to a recent study by the chairman of the New England Governors' Committee on Textiles, New England received one-fourth as many certificates as might be expected on the basis of its manufacturing employment, and about one-third of its share on the basis of total employment. Last year, information was supplied that of 58 certificates of necessity granted to the textile industry, an excessive number in view of the over-capacity in the industry, 6 were granted to New England plants; and of a total amount of $171.3 million in certificates awarded to the textile industry, only $1.9 million or about 1.1 percent went to New England. Even in textiles exclusive of synthetics, New England received but 3 percent of the tax amortizations although it accounts for 25 percent of the industry. In other words Federal subsidies went against New England 8–1. Although New England has five times the South's capacity in woolens and worsted, it received one-fifth as much aid for expansion as the South, or in short, one-twenty-fifth as much as might be expected. As of June 30, 1952, none of Massachusetts' four major textile towns had received any, and Rhode Island had 0.1 percent. Similar comparisons may be made for the chemical and metal industries.

When it is realized that these facilities can be written off in a 5-year period instead of the usual 20–25-year period, thus providing increased deductions for tax-return purposes at a time when normal and excess-profits-tax rates are particularly high, then the effect such discriminatory treatment is having upon industrial decline in New England may be fully understood. These certificates also gave priorities in allocations of scarce materials. I am certain that the Senators and business leaders of other areas on the short end of such discrimination are equally concerned. Surely it is not in the interest of national defense to provide lavishly critical materials and financial aid for the construction of new plants in the South, particularly in industries not suffering from lack of capacity, while New England plants remain idle; or to train apprentice workers for new mills while our own skilled workers are unemployed. I might add that the so-called industrial dispersal program is in no way responsible for this maldistribution; while that is a factor in the granting of tax-amortization certificates, it is confined to the location of plants on sites other than those immediately adjacent to the existing plants.

If some equilibrium is not maintained, we shall end the emergency period with some sections of the country having most of the new plants and equipment while others will have most of the old plants. Those of us in New England and other areas who are faced on the one hand with increasing need for modernization and expansion of our manufacturing facilities, and on the other hand with our tax funds being drained to help develop other areas, cannot sit idly by. I am not opposed to the industrialization of other areas and Federal incentives to stimulate such industrialization. But the welfare of the Nation is not well served by using the forces of the Federal Government to stimulate the industrial growth of one region at the expense of others. Again, equal competition and equal treatment should be our standard.

I realize that a large part of the blame for this unequal distribution lies with the manufacturing and business community of New England and its own lack of enterprise in seeking more of such certificates or seeking to expand further its facilities. And I can assure you that if those New England businessmen who have not yet acted continue to sit tight, undergo no expansion and refuse this opportunity to modernize their obsolete factories and machinery, then I will seek neither to blame the Federal Government or the South, or require that such incentives be handed to New England on a silver platter.

But these are problems upon which all of us must cooperate. I am asking that legislation be enacted which would result in a more equitable distribution of rapid tax amortization certificates in order to give New England business the opportunity to take this step in preventing its own decline.

TRANSPORTATION COSTS

Fourth, the Federal Government is charged with the responsibility of providing for equal treatment in all parts of the country in the matter of transportation rates. Such rates cannot, of course, be equalized in the true sense of the word. Nor can it be denied that New England has some geographic advantage in its proximity to the world's richest marketing area, as well as disadvantage in its location to the Nation as a whole in matters of transportation costs. In textiles, transportation costs are not a comparatively large item. Nevertheless, it is of concern to all parts of the country that our transportation rates—by rail, truck and water—be fair and nondiscriminatory.

The Senator from New Hampshire [Mr. TOBEY] has announced that his Interstate and Foreign Commerce Committee is concerned with problems of the New England economy. I know that the Senator from New Hampshire has been long concerned with these problems.

I can think of no more logical field of investigation for this committee, and I

shall introduce a resolution to this effect, than to investigate the charges of discrimination in trucking rates for commodities being shipped into New England, in freight rates both within New England and on commodities being shipped to or from locations outside of that region, and in water shipping rates on commodities leaving the port of Boston. Such a committee investigation would, of course, be made with the cooperation of private transportation interests, industrial groups, State and local governments and appropriate agencies of the Federal Government. New England's proximity to domestic markets is of no advantage if the service and rates for importing and exporting raw materials and manufactured products discriminate against that advantage. Moreover, New England's disadvantage from its location on the northeast corner of the Nation with respect to the cost of importing raw materials is aggravated by any discriminatory practices. The heavy reliance of New England industry upon raw materials and natural resources from other parts of the United States makes fairness in transportation costs of great importance.

TRUCKING

Charges of discrimination are frequently made with respect to trucking rates on commodities shipped in and out of New England. Trucking rates generally are confused and apparently discriminatory. For example, it is cheaper to ship from Boston to Philadelphia by truck than from Boston to New York. Moreover, a large differential prevails on trucking rates between North and South. In the case of New England textiles, which are in intense competition with the South and ship primarily by truck, this differential amounts to about one-third. For example, to ship a quantity less than a truckload of cotton or cotton and rayon from Lowell, Mass., to Detroit, Mich., costs \$2.15 per 100 pounds; but from Greensboro, N. C., to Detroit, approximately the same distance, it costs only \$1.60 per 100 pounds, according to one recent study. Trucks are handling great and increasing quantities of general freight between points within the region and between New England and points throughout the country, particularly in the period since World War II. Seventy percent of New England's interregional shipments of finished textile products are by truck. The committee on the textile industry of the New England Governors' Conference recommended:

> An equalization of trucking rates for shipments of raw materials to New England and for finished textiles out of New England with rates equal for equal distances to those rates for shipping to and from the South.

RAILROADS

Similar questions have been raised with respect to railroad freight rates. Since 1946 a rapid series of successive freight-rate increases have made New England's situation with respect to these costs more difficult. The Interstate Commerce Commission now operates under a regulation equalizing freight rates in all territories east of the Rockies. New England shippers do not ask for privileged rates or freight charges which discriminate against the South. But such a regulation must be wisely administered if New England, with its more difficult terrain, more dense population, and general short-haul characteristics, is not to be harmed. Charges of general discrimination in the matter of railroad freight rates on the part of New England business interests have lessened since the institution of the Interstate Commerce Commission regulation; but the Senate committee should investigate the administration of these rates to make certain that they are being applied with fairness and flexibility, and to lay to rest the charges that the national rate structure discriminates against New England. Such a study was recommended by the Committee on the New England Economy in its report to the Council of Economic Advisers. Only by a thorough study of commodity rates under which the greater part of the freight in and out of New England is shipped can it be determined to what extent, if any, the existing structure of commodity freight rates is adverse to New England or other regions. Such a study might well be extended to include other factors in the New England rail transportation picture, including the discontinuance of facilities and service and the desirability of improving access to the natural resources and alternate routes of Canada.

A primary problem of discrimination in railroad-transportation rates, with respect to which the charges of discrimination have not diminished, relates to commodities shipped to the port of Boston. As stated by the Committee on the New England Economy—

There is no reason why inland cities sending materials to Philadelphia, New York, and Baltimore should have favorable rates relative to the charges for commodities shipped to Boston.

But this is precisely the case, although it now appears that, with respect to grain for export shipped from Buffalo, Boston is to be given the same rail rates as the two southerly ports. This change took 5½ years of litigation, and may not yet be definite. These difficulties began back in 1877, when four trunkline railroads under the guiding hand of W. K. Vanderbilt signed an agreement which established rail rates between the tidewater ports on the east coast and the area north of the Ohio River, east of the Mississippi, and west of New York State. This agreement gave Baltimore a preference under New York, Boston, and Philadelphia. Early in the 20th century the Interstate Commerce Commission permitted the railroads to reduce their export rail rates to favor shipments to the ports of Baltimore and Philadelphia. Other competing ports received similar advantages until exporters from the Middle West saved 3 cents per hundredweight by using the southern ports.

OCEAN CARRIERS

This problem is closely related to the third facet of the Senate committee study which I believe could profitably be made, namely, discrimination in water shipping rates. The apparent purpose behind the rail-rate discrimination which I have just mentioned was the lower ocean shipping rates that Boston would be able to offer shippers because of its location nearer to important world ports; but this intention was defeated, both by the shipping lines themselves and by the United States Shipping Board, back in World War I. Under the stress of the war-imposed dislocation in shipping, the Shipping Board allowed identical rates to be established for all North and South Atlantic and, eventually, gulf ports. This may have been a necessary measure in war, but it put Boston under a crippling competitive handicap, a handicap under which it still suffers, as the practice has been continued ever since.

In other words, with the probable exception of grain which is admittedly the most important item, rival ports enjoy a lower rail rate on goods going into export, in order to compensate for a lower ocean rate which Boston once had—but has no longer. When the iron ore of Labrador begins to move in quantity, Boston's obvious suitability as port of call will be defeated by this rail differential imposed on equal water-carrier costs. These rail differentials on iron ore are presently under litigation. Not only iron ore and grain but all such differentials should be abolished, particularly in view of further discrimination in ocean-carrier rates.

Thus, although Boston is 1,926 miles closer to Bordeaux, France, for instance, than New Orleans, and some 200 miles closer than the nearest major competitive eastern seaport; 1,740 miles nearer Calcutta, and even 500 miles closer to Buenos Aires and 100 miles nearer Rio de Janeiro than is New Orleans; it is forbidden the competitive advantage that such a geographical position should afford.

In view of these and other handicaps, it is small wonder that the port of Boston, despite its locational advantages, more than 30 miles of berthing space and constant improvement and modernization by the Port of Boston Authority, has suffered competitively in recent years. At one time, New England had, in Boston and New Bedford, 2 of the 4 largest ports in the United States. But no longer. Although in 1900, Boston was second only to New York in total volume of foreign trade, in 1948, it was fifth in imports and forty-eighth in exports. Between 1935 and 1951, despite recent increases in total tonnage, the percent of all foreign trade cargo handled by the port of Boston decreased from 8.7 percent to 4.7 percent, while the percentage handled by Philadelphia and Baltimore was nearly doubled.

I am hopeful that the Senate Committee on Interstate and Foreign Commerce will find that the regulatory activities of the Maritime Commission, the enforcement of the Federal antitrust laws, the calculation of operating subsidies for oceangoing carriers or other Federal action may be utilized to prevent such discrimination. The port of Boston, described in a recent proclamation by Governor Gregg, of New Hampshire, as the foundation stone of our New England economy, cannot continue to suffer on even some commodities both a differential rail export-freight rate favoring Baltimore, Philadelphia, and gulf ports

and the equalization of ocean freight rates irrespective of distance to foreign ports. Attention should also be paid to other important New England ports, including Providence, Portsmouth, Portland, and New Haven.

Such a study by the Senate Committee on Interstate and Foreign Commerce of discrimination in New England trucking, rail, and ocean carrier freight rates could go a long way toward eliminating all discrimination and inequalities in the cost of transportation to New England industry, and thus prevent further decline and dislocation of such industry in that area.

SPECULATION—WOOL FUTURES

The final specific problem area which holds potential, if not actual, threats to industrial stability in New England and the United States, Mr. President, is speculation on the commodity exchanges and specifically in the wool futures contracts market. My office has received several complaints relating to the wool futures market and alleged price manipulations on that market which have adversely affected the woolen-textile industry. If such allegations are true, or if the futures exchange in wool is misused at some future time, the effect on the wool-textile industry would be very severe. No Senator is equipped with the means to investigate the validity of such complaints; nor should individual cases be dealt with by legislation. We all know, however, that similar allegations and actual instances of unlawful manipulation and speculation in the various commodity exchanges led to the Grain Futures Act of 1922, which was strengthened and broadened by the Commodity Exchange Act of 1936. Purely on the basis of historical accident, the wool futures market was never included within the scope of such act. In 1938, when the act was amended to include the market in wool-top futures, and 1940, when still other commodities were added, the wool futures market had not yet begun to operate on a substantial basis. Subsequent bills which would have included wool, along with other basic commodities not yet under the act, included certain controversial amendments which prevented their enactment. Thus, the wool futures market has inadvertently been excluded from the coverage of the Commodity Exchange Act and the jurisdiction of the Commodity Exchange Authority.

In order to lay to rest the allegations which have been made concerning the abuses of the wool futures market, the Commodity Exchange Act should be amended to include wool along with the other basic commodities now covered by that act. This would be a basic first step in preventing those unscrupulous speculative practices which can adversely affect the woolen-manufacturing industry and, I might say, the wool-producing industry of the West. The authority of the Secretary of Agriculture under the Commodity Exchange Act is limited, and the importation of foreign wool is an important cause of fluctuations in the market which can in no way be prevented by the Wool Futures Contracts Exchange. But regulation by the Commodity Exchange Authority is a logical and necessary safeguard to protect the wool producing and manufacturing industries from such undesirable practices and transactions as manipulating prices, speculating on a large scale, cornering wool, cheating or defrauding customers, making false reports to customers, disseminating false crop or market information, engaging in fictitious transactions, misusing customers' funds, and conducting improper operations on the Wool Exchange.

The unethical or illegal speculator is no friend of either the wool farmer or the wool manufacturer. It is generally agreed that speculation in wool as well as cotton has harmed European manufacturers. This should not be allowed to happen here. If wool futures are brought under the Commodity Exchange Authority, transactions or practices which appear to be in violation of the act are checked, brought to light, and penalized. Violations are criminal offenses under section 9 of the act and may also result in denial of trading privileges on all contract markets under the administrative procedures provided in section 6 (b). Basically, the statute and the Commodity Exchange Authority operate through the governing bodies of the various futures exchanges themselves, through the exchange rules and self-enforcement. Futures commission merchants and floor brokers must register each year with the Authority, which must approve each exchange as an acceptable contract market, audit futures merchants books, investigate alleged manipulations, supervise daily trading, and take other necessary administrative action.

Such regulation may involve a minimum amount of additional paper work for those who utilize the services of such a market; but regulation of the wool futures market under the Commodity Exchange Act is an important step, not only to protect the industry from undue fluctuations and unscrupulous practices, but also to protect the reputation of those engaged in trading on the market.

The third and last speech on the New England program will be delivered on the floor of the Senate on Monday, May 25.

Speech No. 3—May 25, 1953

THE ECONOMIC PROBLEMS OF NEW ENGLAND—A PROGRAM FOR CONGRESSIONAL ACTION

IV. REDUCTION OF ECONOMIC HARDSHIPS

Mr. KENNEDY. Mr. President, I wish to turn now to a discussion of the less positive but nevertheless important part of the program which I have been presenting concerning the economic problems of New England and other areas. I wish to discuss at this time the role of the Federal Government in exercising its efforts toward a reduction of those hardships which are caused by a recession or industry dislocation. Primarily, I am speaking of the problem of unemployment and the alleviation of hardships which unemployment brings, rather than the proposals which I have discussed elsewhere in this series relating to the prevention of unemployment and the provisions of jobs for the unemployed. However, I am discussing separately from the proposals relating to the unemployment compensation program those proposals which relate to the retirement income or financial plight of our elder citizens. I do this because the younger man who loses his job remains in the labor force as unemployed; but as clearly shown by the Galenson report on unemployment in Massachusetts, the older man, exhausting his benefits and denied employment elsewhere, and finding that it is futile to remain in the labor force, retires. The problems of inadequate benefits, low living standards, and lack of purchasing power apply equally to both. I am also including in this discussion the problem of middle-income housing, because of its importance in the financial stability of these same workers and families affected by these economic hardships, and its predominance in older areas.

UNEMPLOYMENT

I have discussed previously the loss of plants to other areas, the general slump in particular industries, the lack of economic growth, and the failure to attract new industries. All of these things have meant a tremendous loss of jobs for New England as a whole and particularly in certain communities within that region. Figures from the unemployment compensation program do not show the entire story; they do not show that 30 percent of the northern cotton-rayon mills were working 4 days or less in February 1952 and that they had lost over one-third of their man-hours of production from the figure of a year previous to that date. Between January 1951 and January 1952, textile mills employment was reduced by 13.6 percent or more than 3 times as high as the reduction of employment in textiles in 6 Southern States. During that year, unemployment increased by 150 percent in Fall River, Mass., and over 100 percent in New Bedford. In Massachusetts alone the number of employees filing for unemployment compensation benefits reached shocking proportions in the towns of Lawrence, Lowell, Fall River, New Bedford, Worcester, North Adams, Milford, and Taunton. But this problem was not confined to Massachusetts, nor to New England. Despite the broad scale improvement in employment in the major metropolitan labor markets during 1952, 35 areas are presently classified in the group IV, substantial-labor-surplus category by the Department of Labor.

Mr. President, I ask unanimous consent that there be inserted at this place in my remarks in the RECORD a list of all communities classified as areas of substantial labor surplus in April 1953.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

GROUP IV AREAS OF SUBSTANTIAL LABOR SURPLUS

Region I: Fall River, Mass.; Lawrence, Mass.; Lowell, Mass.; Providence, R. I.

Region II: Atlantic City, N. J.; Gloversville, N. Y.; Utica-Rome, N. Y.; Mayaguez, P. R.; San Juan, P. R.; Ponce, P. R.

Region III: Altoona, Pa.; Clearfield-Dubois, Pa.; Pottsville, Pa.; Scranton, Pa.; Sunbury-Shamokin-Mt. Carmel, Pa.; Uniontown-Connellsville, Pa.; Wilkes-Barre-Hazleton, Pa.

Region IV: Cumberland, Md.; Asheville, N. C.; Durham, N. C.; Winston-Salem, N. C.; Beckley, W. Va.; Fairmont, W. Va.; Martinsburg, W. Va.; Morgantown, W. Va.; Parkersburg, W. Va., Point Pleasant, W. Va.; Ronceverte-White Sulphur Springs, W. Va.

Region V: Jasper, Ala.

Region VI: Iron Mountain, Mich.; Athens-Logan-Nelsonville, Ohio.

Region VII: Herrin-Murphysboro-West Frankfort, Ill.; Terre Haute, Ind.; Vincennes, Ind.

Region VIII: Tacoma, Wash.

Mr. KENNEDY. The sight of empty buildings and from 10,000 to 14,000 unemployed workers in a single town such as Lawrence is not a pleasant one, Mr. President; and such unemployment affects more than those workers and their families. As I have pointed out before, it affects their grocers and doctors and relatives and State government and Federal Government and eventually all of us.

This Nation has devised a measure to ease the suffering of these individuals and to prevent the total decline of their purchasing power. This is, of course, our Unemployment Compensation Program. I have already discussed certain aspects of that program and the need for legislation to provide minimum standards relating to the amount and duration of benefit payments, in connection with the importance of equalizing nonwage payroll costs among the various States. I wish to discuss at this time the inadequacies of that program as they relate to States, communities or individuals who have been particularly hard hit by an intensive period of heavy unemployment. Whenever that program is inadequate, the individual worker lacks security on the job and an adequate means of support and purchasing power when out of work. This hurts us all.

Again, although I shall concentrate upon using the New England States as my examples, I am discussing problems which are of importance to every part of the United States. Virginia, Tennessee, and North Carolina have experienced heavy unemployment in textiles. Only a year ago, the State of Michigan was leading the fight for improving the unemployment - compensation program with respect to these particular inadequacies. Since then, the unemployment problem in Detroit and other Michigan communities has substantially lessened, but I know that the Senators from that State are no less interested in preparing for a similar emergency. No Senator knows when his State may be next.

There are two approaches to making our unemployment-compensation program more adequate to meet such emergencies: The first emphasizes the sufficiency of the State fund; the second emphasizes the sufficiency of payments to the individual worker. It is my intention to discuss, and strive for the passage of, both types of legislation, unless further study by the committees of Congress show that only one of them would be necessary.

REINSURANCE OF STATE FUNDS

With respect to the sufficiency of State funds, we all realize the burden placed upon such funds by a concentration of unemployment within such State for an extended length of time. In Lawrence, Mass., alone, for example, the annual rate of unemployment-insurance payments in July of 1952 was over $11 million. It was nearly $4 million in West Frankfort, Ill., and nearly $7 million in Scranton, Pa. Similar figures can be cited for other areas of heavy unemployment. It is obvious that such drains on the State unemployment-insurance funds can, in due time, threaten the solvency of such fund.

Unfortunately, there is now no real protection against the possible bankruptcy of an individual State program. Most of our State systems are in sound financial shape and some are well above any foreseeable needs. Several States, however, have funds which are dangerously low, despite the all-time high level of employment in the Nation. For example, the State of Rhode Island on June 30, 1952, had $20.8 million in its reserve fund, but during the preceding 12 months had paid out $21 million in benefits. Thus, Rhode Island's unemployment-benefits reserve consisted of less money than had been paid out during the previous year.

The fund of the State of Massachusetts was also in a dangerous position. It had the equivalent of 4.2 percent of taxable payrolls on June 30, 1952, while benefit payments for the previous 12 months had amounted to 1.7 percent of taxable payrolls. Thus, the Massachusetts reserve fund amounted only to about 2½ times the benefit payments during the preceding year. Alaska also had a reserve fund only about 2½ times its most recent annual benefit payments, the New Hampshire fund amounted to only slightly more than 3 times its current annual benefit payments, and New York had in its reserve fund the equivalent of about 5½ times its current annual benefit payments. A heavy period of unemployment would unquestionably threaten the solvency of such funds.

I realize that in some instances the insufficiency of the State fund is due to unsound and haphazard State policies with respect to experience rating or

other methods of financing; caution should be used in the provision of any Federal reinsurance funds to make good on the financial errors of a particular State. But whenever such funds are threatened because of economic conditions causing heavy unemployment, it is proper that the Federal Government take appropriate action. If our unemployment compensation program is truly insurance, then the fact that one or more States are particularly hard hit by economic catastrophe will not threaten the existence of their programs.

What action may be taken? In 1944, Congress enacted the George amendment providing for repayable Federal loans to any State whose fund fell to a dangerously low level. The mass postwar unemployment which was expected never materialized, and no State found it necessary to seek a loan. Although extended several times, the George loan fund provision expired January 1, 1952.

It should be obvious that a Federal repayable loan fund can only hope to deal with temporary crises at most; it merely postpones emergency taxation to pay back the loan until employment rises again. For a long-term problem such as the decline in textile employment in Rhode Island, a repayable loan is not a satisfactory solution.

If a State struck by such an economic catastrophe raises its rates to safeguard its fund or repay a loan, it loses more industry to other areas where the unemployment tax is lower, and thus is faced with both dwindling income from industry taxes and mounting unemployment. It is unthinkable to expect such a State to be able to repay a loan under such circumstances or after an extended period of unemployment. The loan program does not meet the entire purpose of a federally sponsored system, that of preventing one State from being at a disadvantage in comparison with another, and it may not prevent the failure of the unemployment program in the hard-hit States.

I believe a necessary solution to this problem lies in some form of nationwide reinsurance of the State unemployment funds, as recently recommended by the Report of the New England Governors' Committee on the textile industry and many others, and for which the Senators from Rhode Island [Mr. PASTORE and Mr. GREEN] and Representative FORAND have long fought.. There are several means by which this may be done other than Federal Loans, and I am not insisting at this time that one means be preferred over the other. Basically, such a reinsurance program would call for State contributions to a reinsurance reserve to be used whenever the fund of a particular State fell to a dangerously low level. Such a program would not involve additional outlays by either the Federal or State Government. Funds for the reinsurance reserve could most easily come from that three-tenths of 1 percent of State receipts which are now paid to the Federal Government for the purpose of, but not directly used for; Federal administrative expenses. There is(of course, no constiutional difficulty at this time in earmarking proceeds from unemployment taxes to be used for such a reinsurance program. An alternative source would be to require each State to contribute to such fund a fixed percentage, or one based upon the probability of its drawing upon such fund, of its own unemployment tax receipts.

Such a program need not increase Federal control of the unemployment compensation system which is primarily administered on the State level. A reinsurance fund from State contributions is not really a Federal grant. Standards of solvency, sound management, and realistic taxing policy would be established upon agreement with those States participating in the reinsurance program. Such a bill should not provide for the granting of large sums from the Federal Treasury to the States to be used for such administrative purposes or benefit payments as the States may see fit. To take that unwarranted step would neither provide the necessary safeguards for a realistic reinsurance program, nor be consistent with the need to reduce the Federal deficit. It would also undermine the minimum standards needed for a real system which protects the more progressive State systems and their more liberal plans against the backward States. Nor would such a reinsurance fund have to be very large. In 1951, the State employment security agencies collected $1.5 billion in contributions at an average contribution rate of 1.6 percent. Thus, for the country as a whole, an average reisnurance rate of one-tenth of 1 percent of taxable payrolls would have yielded about $100 million for a reinsurance fund, which would have been ample to take care of any immediate needs of States like Rhode Island or Massachusetts.

The insuring of this type of excess loss would give every State a more secure position for itself and an opportunity to avoid unbearably heavy tax charges for its industry, just as the State program pools the risks of individual industries. As pointed out in the Providence Journal-Bulletin in a series of editorials last year, reinsurance is the constructive and intelligent solution to this problem.

It is generally agreed that the expiration of the George loan fund requires immediate action on the Federal level. I am convinced that a national reinsurance program for our unemployment compensation system is a necessity if we are to safeguard the solvency of our State systems in times of economic disaster beyond their control and prevent the terrible consequences which would result from the downfall of those systems.

SUPPLEMENTARY BENEFITS

The second approach to the problem of long-term unemployment and the inadequacies of our present program is through direct payments to the individual. Supplementary unemployment compensation benefits from the Federal Government, again working through the State systems, of course, may be necessary when under the emergency conditions described above, employees have exhausted their claims to benefits under the normal State laws.

Such a bill, introduced a year ago by a bipartisan group of Senators from all parts of the country, recognizes the responsibility of the Federal Government to treat fairly unemployed workers laid off as the result of mobilization conversion or other emergencies, and a desire on the part of the entire Nation to preserve the standard of living and productive skills which are otherwise dissipated under such circumstances. We have already mentioned the direct aid given by the Federal Government to business in times of mobilization through the granting of tax amortization certificates, and we know of similar aid in agriculture, transportation, and other fields. It is only just that the Federal Government provide for supplementary benefits to our human resources under such circumstances.

Again, no Federal control is involved since the activation of such a provision would require the consent or request of the State government; and by making supplementary payments from the Federal Treasury which has already been enriched by the three-tenths percent tax paid by the States, such a program prevents the burden of heavy unemployment from being placed on particular States and employers. Such a law would remove neither the responsibility, the administration of the unemployment benefits program, nor the detailed determination of its nature from the shoulders of the State where it presently rests. Nor would it be desirable to provide benefits for an unlimited period of time. This is necessarily short-term insurance.

I realize the difficulty of drafting a workable bill which will fully meet these standards; and I also realize that it is important, as a corollary with the enactment of either of these methods of safeguarding the State unemployment compensation programs in times of economic catastrophe, that the previously discussed uniform minimum standards for such State systems be enacted. But despite these difficulties, and at least until the enactment of minimum standards and reinsurance, I recognize the necessity for stopgap Federal action under such circumstances to prevent the unemployed worker from going without any benefit after he has exhausted his claim.

During the 1949–50 recession in Massachusetts, there were over 161,000 unemployment recipients who had exhausted their benefit rights—or nearly 40 percent of those who received first payments under the program. In Lawrence today—and I continue to use Lawrence as my most frequent example because the conditions there are most severe and exemplify what might well happen to other areas of the United States in time of recession—over 50 percent of those unemployed workers are without unemployment benefits. The Galenson study shows that nearly three-fourths of those who exhausted their benefits during 1949–50 remained unemployed for more than 5 weeks after benefit exhaustion, and nearly 50 percent more than 20 weeks. If nothing else, this indicates that the drain on unemployment compensation funds is not caused by malingering on any large scale, for even after their payments have

stopped, these men are unable to find work to restore their income. Nor are payments high enough to adversely affect the incentive to work. Too many of such able-bodied workers are thrown on the relief rolls, thus further burdening the remaining taxpaying industries in the State. The Galenson study described the plight of such workers who have exhausted their benefits—the cashing of their savings bonds and insurance policies, the selling or mortgaging of their homes, the exhaustion of their savings, the incurring of heavy debt to their banker, grocer, or landlord, and finally their reliance upon relief.

I think it imperative that legislation be enacted by this Congress to make certain that those individuals who have exhausted their unemployment claims during a period of severe unemployment do not go without benefits from the program which this country established to provide for just such situations.

OLD AGE

Secondly, we must take action to provide a more adequate program for the elder citizens of our Nation who are particularly hard hit by unemployment and recessions. The growth in number and proportion of the aged in America's population during the 20th century has been tremendous. Since 1900, the total population in the United States has doubled, but the number of persons 65 years of age and over has quadrupled. In 1900, about 1 in 25 persons was age 65 and older; but in 1950, the proportion was about 1 in 12. This increase in the number of persons age 65 and over has been far greater than that of any other age bracket.

This growth is of particular importance to all areas of the United States and to our New England States in particular. Although the West and some parts of the South had the largest increase in population 65 and over between 1940 and 1950, the highest percent of aged persons in the population may be found in certain Midwestern and New England States. In New Hampshire, Vermont, and Maine, over 10 percent of the population is 65 and older, while less than 6 percent is in this aged bracket in South Carolina and North Carolina. Similar comparisons may be made with respect to other States. This increase, caused by a significant decline in the birth rate, an increased life expectancy and a decline of immigration since 1925, poses serious problems for those interested in the economic security of these older citizens. Only about one-third of these older persons derive their income as earners or wives of earners. About another third derive their income from social insurance and related programs; one-fifth from old-age assistance programs; and a much smaller percent from private insurance, private pensions, and other private means. On the whole, our elder citizens are found in the very low-income groups, without either earnings or adequate retirement incomes. In June 1952, the average annual payment to a retired worker with a wife eligible for benefits under the old-age and survivors insurance program was only $840. Yet, at October 1950 price levels, the Bureau of Labor Statistics estimated that an elderly couple in Boston, Mass., needed nearly $1,900 a year to maintain a very modest budget.

OLD-AGE AND SURVIVORS INSURANCE

Because in our modern society a combination of several social and economic factors have caused a decrease in the employment opportunities for the older worker, we have devised social-security programs for the purpose of providing insurance against the economic hazards of old age. The very large proportion of unemployed textile workers in Lawrence who are over 65 years of age now need such security. But how much security is provided by a program which pays a worker on the average of $60 a month or a retiring couple $95; which excludes from its coverage many of the self-employed, domestic servants, public employees, and farm laborers; which too frequently computes an annuity on a basis which penalizes the older worker for periods of low-wage employment or employment in jobs not covered by the program; which imposes a so-called work clause of $75 a month prohibiting beneficiaries from receiving their annuity should they earn more than that small amount; which provides no benefits for those forced to retire before age 65 for reasons of disability; and which denies benefits to widows between the ages of 60 and 65 despite the obvious need for their eligibility?

I realize that all improvements in the law which might be desirable cannot be obtained free of charge; although there is disagreement as to the extent of additional benefits which might be included without a change in the methods of financing. However, the basis for computing contributions and benefits presently pegged at $300 a month maximum should be increased to $400 or possibly $500, simply as a matter of keeping the act current with present economic trends. Such an increase would permit many, if not all, of the improvements in social security most seriously needed today.

Moreover, I hope that the Congress will in the future give consideration to the possibilities of a Federal contribution as a supplementary means of financing the old-age and survivors insurance program. Such contribution, like that given to similar programs by other nations, would be more equitably based upon ability to pay than an increase in the present obviously regressive payroll tax.

I see no reason why lawyers, dentists, public employees, and other thousands of workers should be arbitrarily denied the protection which this act is intended to provide. I see no reason why an able-bodied man age 65 or over should be faced with a $75 limitation upon his earnings as a condition for the receipt of his annuity, in this day and age when the total of both $75 a month and a social-security benefit cannot meet the cost of living. I see no reason why those retiring before age 65 because of a total and permanent disability should be denied the protection of social insurance if they are under the social-security program, although given such protection under our railroad retirement and other publicly sponsored programs. Actually, disability is more of an economic burden than old age. It adds an extra dependent who may need special care, and it comes at a time when children may not yet be grown and the responsibility for their support is greatest.

The Committee on the New England Economy stated that "liberalization of old-age insurance and programs for retaining older people in employment would help New England because her proportion of older people is large." Studies have shown that unemployment hits older workers harder than any other age group and in disproportion to their numbers. This is particularly true in our textile industry.

But I do not recommend these improvements in the program merely as a means of aiding New England. I think it is apparent that our old age and survivors insurance program is in general need of improvement. If this Nation is to meet the test of a truly moral society, it will not fail in its responsibility to its retired citizens.

Extending and improving this basic social security program is essential if we are to give adequate protection to those most often victims of economic hardships.

OLD-AGE ASSISTANCE

In addition to liberalizing the old age and survivors insurance program, attention must be given to our old age assistance program. It is unfortunate that too many of our elder citizens find it necessary to be given payment on the basis of need—or so-called assistance or relief—rather than on the basis of a contributory insurance program, either because they are not covered by such program, or because their social-security benefits are too low.

The administration of the old-age assistance program is primarily a State responsibility. As a result, there is wide fluctuation in the average payments ranging in December 1951 from $18.68 a month in Mississippi to $70.91 in Colorado. The Nation's average was $44.54. Since then, the Congress has provided for additional funds to the States—a contribution which was not in all instances utilized to increase the welfare payments to the individual. I urge that the Congress annually review the adequacy of the system's payments and consider providing additional grants to the States for the purpose of increasing the individual allotments when this becomes necessary.

I have talked with the older people of my State and elsewhere. I know that they prefer to receive retirement pay from an insurance fund to which they have contributed rather than public assistance from any kind of means-test program. Such a program separates those who have sufficient funds from those who do not; it sets a minimum which becomes a maximum for the individual under the program. It is little in advance of the public charities of years gone by. In order to reduce the need for such an assistance program, Congress must make social insurance more effective and its coverage more widespread.

Nevertheless, until that day when the old-age assistance program can be completely ended because all older persons will be adequately protected by old-age and survivors insurance, Congress has the responsibility to see that such program provides adequate funds for the maintenance of our less fortunate aged citizens.

Mr. DOUGLAS. Mr. President, will the Senator from Massachusetts yield?

The PRESIDING OFFICER (Mr. PURTELL in the chair). Does the Senator from Massachusetts yield to the Senator from Illinois?

Mr. KENNEDY. I yield to the Senator from Illinois.

Mr. DOUGLAS. Mr. President, I notice that the Senator from Massachusetts very modestly omitted the great assistance rendered by the State of Massachusetts. When I last looked at the figures Massachusetts was one of the States in the Union which have the highest average payments.

Mr. KENNEDY. Yes. Massachusetts in many of these fields has pioneered and has maintained a high standard. Of course, that has been one of the problems which we have faced in attempting to compete with areas which do not have such high social-security standards.

Mr. DOUGLAS. Is it not a fact that Massachusetts, along with the State of Oregon and, to some degree, the State of New York, really leads the country in social legislation?

Mr. KENNEDY. Yes. The Senator from Illinois is one who has long been an able student of our various social-security programs. I believe he would agree that one of the basic tasks now in the areas which have gone ahead is not to turn the clock back and thus lower their standards but to attempt, through legislation and through encouragement by contributions from the Federal Government, to bring about a general raising of such standards throughout the Nation.

After all, the difference between the cost of living in Mississippi and the cost of living in Massachusetts certainly is not great enough to account for the tremendous difference in payments of this type. The latter difference obviously means that the people in these States who are given extremely little assistance are really suffering and undergoing great hardships.

It is my hope that when budgetary considerations make it possible, the Federal Government will assist the other States in raising their standards, as I know they are most anxious to do.

PRIVATE PENSIONS AND EMPLOYMENT

In addition to liberalizing our social-security programs, further action must be taken with respect to other sources of income for our aged persons. It is my intention to introduce a resolution concerning, or otherwise urge a study of, two problems in particular: First, the means of coordinating private pension plans without Federal interference; and second, the means of providing tax or other incentives to employers for the employment and retention of older workers.

Private pension plans, as I have indicated earlier, have had phenomenal growth in this country. Although only approximately 3 percent of our aged persons were receiving income from that source in December 1952, the tremendous growth in the number of such plans in the last 20 years, and in particular the last 10 years, has been astounding. This has been due to a number of reasons, including collective-bargaining trends, tax treatment, and an inadequate old-age and survivors insurance program. The number of employees covered has more than tripled during that same period. But such plans, despite the necessity of meeting certain standards for tax-deduction purposes, have developed in a completely helter-skelter fashion. Coverage is haphazard and incomplete. Frequently such plans bar employment to older workers or impose compulsory retirement on a chronological age basis. Their funding and investment provisions have raised serious problems which have yet to be answered. Perhaps of most importance to the Congress and to the problem areas I have been discussing, such private pension plans either restrict the mobility of the employees involved, or fail to provide protection for those who leave the service of the particular company after a considerable period of years. It is important that Congress take cognizance of this problem of coordinating private pension plans, and before it is too late, act to meet it effectively without Federal control.

Similarly, attention should be given to the proposals of Professor Slichter and others that tax incentives be given to employers for the employment and retention of older workers. Such a program raises a host of administrative and policy problems, particularly since most employees desire to stay on past the age of 65 until forced to retire by their disability or compulsory retirement programs. But it is just the latter element, whereby even in areas and industries of labor shortage, employees are required to cease all gainful activity because they have reached a specified chronological age, that creates a serious social and economic problem in the United States. To postpone the age of retirement or bring back to work in areas of labor shortage the many able-bodied retired employees, would provide a valuable contribution to industries now badly in need of skilled manpower, reduce the need of the support of such persons from public and private sources, provide such persons with a more adequate standard of living, and enable them to achieve the status and satisfaction which they might derive from worth-while employment.

The Galenson report on unemployment compensation in Massachusetts pointed out that—

> Anything that can be done to facilitate the placement of the older worker will relieve the fund of a substantial burden.

I am hopeful that Congress will consider legislation to encourage the active employment in labor-tight markets of our older able-bodied workers.

MIDDLE-INCOME HOUSING

Another most important area for Federal action is in the field of housing. Although this is a problem all over the country, New England and particularly Massachusetts because of their older and more urbanized development are especially hard hit. The solution to America's housing problems includes provisions for an adequate slum clearance and urban redevelopment program; adequate public housing for those whose income denies them and their families anything but the most substandard dwelling; and provisions for the continuation of rent controls in areas where such controls are necessary to prevent a critical housing shortage. However, I wish to stress at this particular time one facet of the housing problem on which Congress has yet failed to take adequate action, namely, the problem of middle-income housing.

Those in the truly middle-income brackets are offered nothing by the public low-rent program and nothing by the various programs of Federal loans and guaranties for higher priced dwellings. In the 81st Congress I introduced a bill to provide for direct Federal loans to meet the housing needs of moderate-income families and to provide liberalized credit to reduce the cost of housing for such families, operating through cooperatives and other types of nonprofit organizations providing housing for rental or for sale to their members. The purpose of such a program is to provide a means whereby housing of sound standard and design, construction, livability, and size for adequate family life can be produced and made available for families of moderate income who cannot afford to pay the rents or prices charged for privately financed housing currently being made available in their localities. Under such a law, a National Loan Corporation for private housing cooperatives would be set up as a constituent of the Housing and Home Finance Agency, with authority to borrow on taxable bonds and to make 100-percent mortgage loans at cost to such cooperatives. Such a program might also include provisions for guaranteeing the bonds of public agencies, such as State housing agencies or universities who wish to embark upon middle-income housing programs, and aid to limited dividend corporations. Such program involves neither Government ownership, Government subsidies, nor tax exemption. It makes no provision for direct loans to individuals, other than those now covered by the veterans' program, since a general program of that type would likely be almost impossible of administration unless severe limitations are placed upon the individual's right of resale, and would, moreover, be in more direct competition with present private sources. Neither does such a program provide for insurance of housing loans, other than the provisions of the FHA which provide a minimum amount of insured loans to housing corporatives.

Today it has been said that the middle-income groups—those with incomes between $2,500 and $4,500, depending on the cost of living in their particular area—are in the twilight zone of earning too much to qualify for admission or continued occupancy in a public housing project, and too little to purchase or rent private housing, and particularly new housing. Within this group are most of the members of organized labor and a large majority of World War II

and Korean veterans. They find themselves saddled with monthly payments of interest, amortization, taxes, upkeep, and utilities beyond their means. No other high-income country in the world has been as careless of its people's housing problems as has the United States. If we have been less than adequate in our low-income housing programs, we have been almost totally neglectful of our middle-income group. Their problem continues to grow. It may yet make a mockery of our high living standards if we do not take preventative measures. An adequate, middle-income housing program is necessary to supplement other programs, both public and private. The public housing program is dependent upon the provision of satisfactory housing for families in public housing projects whose incomes exceed the limits for continued occupancy. The success of the urban redevelopment program is dependent upon the development of a sound middle-income housing program. I firmly believe that such a program is also of importance to the growth and continuance of the private building industry.

The extensive use of housing cooperatives in Europe, and their successful beginning on a small scale by such groups as the Amalgamated Clothing Workers in New York, shows what can be done. As the Right Reverend Monsignor John O'Grady, chairman of the National Conference of Catholic Charities stated:

> Cooperative housing should be regarded as a real effort on the part of the people to do things for themselves. It is a genuine expression of responsible, democratic self-organization on the neighborhood basis.

With long-term, low-interest loans and technical assistance from a quasi-independent Federal agency, such cooperatives could well provide the answer to our middle-income housing shortage. Without public ownership, cash subsidies or tax exemptions, real savings are nevertheless available through cooperatives because of no profits and coordinated maintenance costs. Such a program, self-supporting and self-liquidating at no cost to the Government or the taxpayers, will prevent the middle-income families from being priced out of the market, and will enable them to join in cooperatives charged with the management and care of their own properties and receiving the better financing terms—3 percent interest on a 50-year loan—which the Federal Government is able to provide. The goal for such a program might be a minimum of 200,000 units.

The development of a sound and workable method of meeting the housing needs of middle-income families would benefit the entire Nation, contribute to the stability of our economy and the welfare of our citizens, limit inflationary credit transactions, and economize upon the expenditures for financing, constructing, and maintaining dwelling units adequate to serve the needs of this group. To encourage home ownership through a program of financial and administrative self-reliance and decentralization, and to achieve real savings for the average housing consumer, will go a long way toward meeting a largely overlooked housing problem in this country, which is particularly troublesome in the New England and Massachusetts area.

Such legislation has particular meaning for us in Massachusetts, not only because we have a law authorizing the creation of housing cooperatives, but also because Massachusetts has attempted to solve the problem of middle-income housing first on a private, and then on a public, basis. Indeed, in 1911, Massachusetts was the first State to consider the use of public funds for the construction of housing to relieve congested areas and a shortage of housing. Massachusetts has had for many years both a rental-sale program for individual cities, which was to provide publicly sponsored housing for veterans in a higher income bracket than those covered under the normal public housing program, and a $225 million State public-housing program under which rental housing projects—in a category above Federal housing but below the FHA cost level—were provided through State guaranties of local housing-authority bonds and an occasional subsidy. Under the first program, less than 2,000 units were built in 18 communities from 1946 to 1951. Under the second, 16,000 units in 145 projects were constructed in 88 cities and towns since 1948, at average rents ranging from $34 to $48. Incomes for admission range from $3,200 to $4,000, and for continued occupancy, $4,000. The lowest rent is $22. Nevertheless, in 1952, the State housing board reported that 67 communities had on file 23,960 applications of veterans who could not be housed under rental program; and 52 communities estimated a need of 50,884 units for nonveterans. The above communities comprise 73.9 percent of our

State's population. The United States Housing Census of 1950 showed in Massachusetts 82,000 married couples without own household; 288,000 units, 21.2 percent substandard; 171,000 units, 25.9 percent, of renter-occupied substandard; 1,408,787 units in State, and 1,572,000 families, or deficit of 163,203 units.

In Massachusetts, we can justifiably say that the combined efforts of the State and local government and private enterprise have failed to fulfill the needs for middle-income housing. Other States during the past 7 years have tried to give relief to this middle-income group by various costly methods: Subsidized, publicly owned housing; tax abatements; loans of low interest rates; and capital grants. These States, however, have been in the minority, and have reached only a small proportion of their population. Aid, too, has been largely limited to veterans. These State measures were temporary stopgaps initiated under the pressures of demobilization and congressional inactivity. Connecticut will provide approximately 9,000 units of public, rental housing, at a cost of $115 million; and 6,000 units, through loans of $60 million to home purchasers. New Jersey, Illinois, and Pennsylvania, among others, have made their contributions. New York State and New York City have provided aid for some 10 or more years.

Such a Federal program for middle-income housing, which has previously been supported by many able and experienced Senators, including in particular the Senator from Vermont [Mr. FLANDERS] and the junior Senator from Alabama [Mr. SPARKMAN], involves many more details than the broad principles which I have been able to outline in this short time. My wish is to stress the importance of having Congress enact at the earliest opportunity a program to provide an adequate supply of middle-income housing for the families of moderate means, who are the backbone of our Nation and chief producers of our national wealth, whether they live in Boston, Mass., or any other part of the United States.

Mr. DOUGLAS. Mr. President, will the Senator from Massachusetts yield at this point for a question?

Mr. KENNEDY. I am glad to yield.

Mr. DOUGLAS. Is it not true that under such a plan as the one the Senator from Massachusetts suggests, the loan of capital to the cooperatives by the Government at cost would save probably 1 percent in the interest rate?

Mr. KENNEDY. Certainly that is true; and through the cooperatives I believe it would be possible to maintain a much longer mortgage period, and thereby reduce the monthly payments.

Mr. DOUGLAS. Even at a saving of 1 percent, on a house costing $10,000 for a family, that would mean a saving of $100 a year, or a little less than $10 a month; and if the amortization could be spread out to 35 years, instead of 25, there would be a further saving, would there not?

Mr. KENNEDY. Yes. I have even suggested a 50-year amortization period, but perhaps that would be too long. At any rate, such a change would make a tremendous difference.

I know the Senator from Illinois has been concerned about this matter, and I think he will agree that there is a group that is in a sort of middle-income no-man's land. It is not helped, although it deserves help, since it comprises the backbone of the economy of the country.

Mr. DOUGLAS. Yes.

Is it not, furthermore, true that under the cooperatives the cooperators would maintain their properties and, hence, would lessen the expenses for upkeep?

Mr. KENNEDY. Yes.

Let me also say that I believe the concern which has been expressed by some groups, who take the position that this field is one in which the Government has no right to move, is scarcely justified. The fact is that the Government has assisted most groups of the economy with their housing problems, but this particular group has been overlooked.

Mr. DOUGLAS. Has the Senator from Massachusetts observed the fact that Government assistance often is granted to those who need it least?

Mr. KENNEDY. In many instances I think that is true.

Certainly our economy depends upon the maintenance of an adequate housing program. The difficulty is that for many reasons houses have been overpriced for many persons, particularly in the middle-income group.

I appreciate the comments of the Senator from Illinois because I know that in the Banking and Currency Committee he has given a great deal of attention to these problems.

V. OVER-ALL OBJECTIVES

Finally, Mr. President, before concluding this series of discussions relating to proposed solutions to the economic problems of New England and elsewhere, I would like to mention very briefly certain overall legislative objectives which have a particular effect upon these problems, and upon which I am hopeful that New England and, indeed, all Senators, can unite. The accomplishment of such objectives is of considerable importance to the stabilization of our economy. These long-range objectives are: Economy in the National Government; caution in the development of international trade policies; effective enforcement of antitrust laws; safeguards against further opportunity for disaster of future inflation or serious deflation; and a national agricultural policy which harmonizes the interest of all segments of the economy. Permit me to discuss each of these briefly.

ECONOMY

First, we must strive for economy in the National Government. This is of particular importance to a region such as New England. The report on the New England economy stressed the fact that the Federal Government exerts a net drain upon the finances of New England and urged that the Federal Government be as economical and efficient as possible. Many Senators, such as the distinguished Senators from Illinois and New Hampshire [Mr. DOUGLAS and Mr. BRIDGES], and other Senators from both parties, have on and off the floor of the Senate provided the leadership and wisdom which is necessary for this task.

Although I have in this series of addresses on the problems of the New England economy proposed some three dozen steps which I believe the Congress should take, it is my considered opinion that complete enactment of such a program will not depend upon larger public expenditures, further burdening our overburdened taxpayers, and might, indeed, at least in many instances, effectuate a savings in the level of Federal expenditures. For example, I have mentioned the contributions to the Federal Treasury from the Reconstruction Finance Corporation, the savings on Government contracts from the Small Defense Plants Administration, and the decrease in old-age assistance expenditures resulting from improved old-age and survivors and unemployment insurance programs. The elimination of tax loopholes will certainly balance any loss in total revenues resulting from additional tax amortization privileges, which in themselves will result in lower taxes for those persons able to utilize them. Recommendations concerned with labor standards, transportation costs, and the regional industrial development corporations, as well as continuing or improving Federal regulation or studies in particular fields, such as wool futures or water resources, will be at little or no additional cost in the long run, as will eventually be true of any multipurpose projects which may result from such studies. Moreover, a prosperous economy brings a higher volume of revenues from a great number of people, thus making possible a decrease in tax rates for all.

In addition, I have joined in the sponsorship of other measures designed to bring about more effective control by Congress and the executive department of the Federal budget, and to permit an intelligent and honest reduction of expenditures without harming the functions which must necessarily be performed by the Nation's Government. An efficient reorganization of Government operations; the exposure, reduction, and elimination of unnecessary subsidies; the careful and incisive reduction of civilian projects; the prevention of luxurious and duplicative personnel payments; a curbing of the unexpended balances carried over from previous years; and particularly a reduction of military waste can achieve for us a more effective, more efficient, and more economical Government. All of us have seen excessive, wasteful, and discriminatory procurement, stockpiling, and construction practices on the part of our Armed Forces. We have seen abuse of cost-plus contracts and markups and the needless inefficiency of overspecifications and supersecrecy. We know full well that the annual $600 million or larger appropriation for various river and harbor projects—which I might add have included very little for Massachusetts—has not always been necessary for the national interest. In approaching this problem of economy, we must recognize that social security, welfare, and health expenditures constitute less than 4 percent of our total budget, as compared to the nearly 60 percent devoted to military service.

Moreover, in addition to cutting waste in our Federal budget and pushing a program which will most efficiently mobilize the resources of our Nation, we may achieve real economy and greater opportunity for tax reductions by closing those tax loopholes which enable the few to escape their just share of taxes at the expense of the many. Such loopholes include the percentage depletion allowance for oil, gas, and mining; family partnerships created for tax avoidance only; special exemptions from the excess profits and corporation taxes; and other unwarranted loopholes and privileges costing in all hundreds of millions which otherwise would be used to reduce everyone's taxes.

Economy in the national Government will ease this drain on New England funds and strengthen the stability of our national economy.

INTERNATIONAL TRADE

Secondly, the Congress and the Federal Government must exercise caution in the development of our international trade policies. We in New England recognize that we are in a difficult position with respect to such policies. It is not our desire to demand undue protection for our manufacturing industries in a manner inconsistent with national interest, our international policies and world peace and prosperity. Nor would a generally high tariff policy benefit New England, since more than one-third of its industrial employment is dependent extensively upon the importation of raw materials. Trade barriers to the importation of long-staple cotton, raw wool, aluminum, copper, zinc, manganese, oil, and bauxite are particularly harmful to New England's industries. An adequate, low-cost supply of these materials cannot be supplied by the domestic market alone. (With respect to copper at least, Public Law 4 of this Congress has extended until 1954 the suspension of the import tax on copper; and the Senators from Connecticut [Mr. PURTELL and Mr. BUSH] were active in supporting that extension.) As stated by the report of the President's Advisory Board for Mutual Security, with respect to wool, for example, "the domestic woolen manufacturer is entitled to an opportunity to compete on a fair basis with synthetic fabrics. If the consumption and production of woolen goods are not to be penalized, it is necessary to allow raw wool to be imported without a tariff or with a considerably reduced tariff." I have recently protested before committees of the House and Senate proposed restrictions on wool and oil imports which would unnecessarily damage our economy.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point in my remarks copies of my statements before the Senate Committee on Agriculture and Forestry and the House Ways and Means Committee, regarding wool and oil imports.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR JOHN F. KENNEDY, OF MASSACHUSETTS, ON WOOL IMPORTS BEFORE THE SENATE AGRICULTURE COMMITTEE, FRIDAY, MAY 8, 1953

Mr. Chairman, I appreciate very much the opportunity to appear here this morning to express my views concerning those proposals now before you which would effectuate further restrictions upon the imports into this country of various agricultural commodities, including proposals for a parity tariff, for import fees or import quotas. In particular, I wish to discuss these proposals as they relate to the importation of raw wool.

A COMPREHENSIVE APPROACH TO TARIFF PROBLEMS

I am very concerned about the possible legislation which may be recommended by this committee or by the present administration. I was very disappointed in the statement by Secretary of Agriculture Benson to the House Ways and Means Committee on Wednesday of this week in which he indicated that further restrictions on the importation of wool were necessary. I was particularly disappointed because, at the same time that Secretary Benson was testifying, other representatives of the administration were talking along entirely different lines before other committees of the Congress. If this Nation believes in a policy of expanded trade, and I know that this is of particular importance to your committee because the United States is the world's largest exporter of agricultural products, then we must apply that policy consistently with respect to all types of legislation, all kinds of commodities, and in all parts of the world. Today your committee is concerned about restricting the importation of wool, fats, and

dairy products. Next week the House Ways and Means Committee will be concerned with restricting the importation of lead, zinc, and petroleum products. At the same time, the Foreign Relations and Foreign Affairs Committees are concerned with expanding our trade with the free nations of the world. We cannot pursue a trade and tariff policy in the national interest unless the administration speaks with the same voice upon each occasion, and unless the Congress deals with the problems of various industries and regions on a comprehensive, rather than a segmentized basis.

I shall return to this method of approach as it applies to wool in just a moment; but first permit me to mention the basis for the interest in my section of the country with respect to our wool policies, and interest which must be equally considered along with the interests of the woolgrowers of the West, the consumers all over the United States, and, of course, our national and international economic objectives. No doubt the members of this committee, who come for the most part from large wool-producing States, are convinced that I have never seen a sheep in Massachusetts, much less have any information concerning the problems of the domestic wool industry. Although it may surprise you to learn that Massachusetts produces over 50,000 pounds of shorn wool annually, admittedly this is only two-hundredths of 1 percent of the national total, and Massachusetts ranks 41st in national production. But over 70 percent of the wool consumed in the United States—and we are the largest wool-consuming nation in the world—goes through Boston, the world's wool center. Over 60 percent of this Nation's woolen and worsted manufacturing industry is located in the New England area—an industry which nationally employs some 150,000 to 200,000 workers with an annual payroll approaching $500 million. I think that you will agree that the Federal Government, in determining its policies with respect to wool, must consider these interests as well as the interests of the woolgrowers.

But I am convinced that such interests are not antipathetic. I believe that this Nation's woolgrowers, wool trade, woolen and worsted manufacturers and textile workers have mutual and harmonious interests. Rather than attempt to solve the difficulties of one group without regard to that solution's effect upon the others, we must consider the problems of wool and those involved in its production and consumption in their entirety. I am convinced that only in this way will such problems be solved.

1. PRESENT TARIFFS ON WOOLEN AND WORSTED MANUFACTURES

As the first example of the need for this comprehensive approach, I ask you to look at the tariff situation of the woolen and worsted manufacturers as well as the wool producers. Since 1933, tariff rates on textiles have been reduced by 66 percent. To increase the restrictions upon the importation of raw wool into this country, without consideration of the tariff on manufactured wool, would result in great harm to our woolen manufacturers and, in turn, to the domestic wool producers who are dependent upon the manufacturers as their major outlet. Raw wool now coming to this country would instead be available in larger quantities and lower prices to foreign textile concerns, who would thus be able to import still further goods into this country at a still lower price.

Perhaps you will say that the answer is to increase substantially the tariffs on both raw wool and manufactured wool. But I am convinced that such a policy, and the innumerable other demands for protection which would follow it, would not be in the best interests of a vital and expanding woolen industry or national economy; and I think it is apparent that it would not be in the interests of our present international program. For these reasons, I cannot support any proposal effectuating a higher tariff on raw wool as a trade for higher tariffs on woolen manufactures.

2. DISTRESSED CONDITION OF THE WOOLEN MANUFACTURING INDUSTRY

As the second example of the need for a comprehensive approach to the problem, I ask that you consider not only the economic difficulties of wool producers, but likewise the economic difficulties of woolen manufacturers and their employees. Since January 1, 1949, 99 woolen and worsted mills, including over 640,000 spindles and over 6,000 looms, have gone out of business. Nearly 40,000 employees in these plants have lost their jobs. Many other mills are either partially or fully shut down. Recent statements indicate that further liquidations may be expected. I know that the Senator from Vermont [Mr. AIKEN], the chairman of this committee, is concerned about the 26 woolen and worsted mills in his State. The proportion of unemployment in woolen centers is unbelievably high. In Lawrence, Mass., where approximately one-fifth of all workers have been without jobs continually since 1947, the proportion of unemployment is more than twice as great as the figure reached during the depression in 1930. In many other woolen manufacturing cities of New England and the South, unemployment has continued at high levels despite the overall national prosperity.

Thus, gentlemen, when you speak of declining prices, production and wages among the wool growers of the West, you must not forget the distressed areas of New England. To take action supposedly for the benefit of the wool growers which would result in making even more difficult the competitive position of the wool manufacturers is not the proper approach to this question. I realize, of course, that there are various problems besetting the New England economy other than its decline in textiles, and I intend to discuss these with the Senate at a subsequent date. But I do wish to remind you that economic distress is not confined to any particular area of our country.

There is, moreover, ample evidence to indicate that despite recent declines in prices, the situation of the woolgrowers includes a brighter aspect. The overall trend in the price of raw wool has been upward, and the total cash receipts of woolgrowers have fluctuated on about the same level. According to the Boston Commercial Bulletin of May 2, 1953, the demand for domestic wool remains very high, and buyers have been following the shearers, so to speak, and purchasing shorn wools as they became available. Although there is some evidence that woolgrowers are continuing to hold their product off of the market in the hope of either congressional action or some emergency, this cannot be blamed upon market difficulties. Moreover, 60 percent of our sheep already go for slaughter, and more and more sheepmen are able to turn to the production of lamb or cattle as more profitable investments, unlike the textile worker of Lawrence whose job is taken from under him. Certainly it was to be expected that the price of wool would fall sharply after the excessive peak it reached during the first year of the Korean emergency. Moreover, the increasingly high cost and scarcity of land in the major woolgrowing States have contributed to the present decline in production. If we understand these factors, we will not so easily place all of the blame upon wool imports, nor consider the situation to be one of particular distress. But in any event, let us not forget the distressed areas and industries in other parts of the United States.

3. THE AGRICULTURAL PRICE-SUPPORT PROGRAM

As the third example of the need for a comprehensive approach to our international trade problems, I ask that you do not consider the problems raised by our domestic agricultural price-support program apart from the long-range economic problems of the wool-producing and wool-manufacturing industries. According to the report of the Public Advisory Board for Mutual Security in February of this year, a board on which the heads of the three great farm organizations serve:

"The objectives of the price-support program can be realized without restricting imports of needed commodities. There would be no serious adjustment problem for domestic wool producers if arrangements were made to give them the equivalent return that they now get from the support price. After the tariff has been reduced or eliminated, increased imports of wool would meet the greater demand for wool at the lower price, while domestic production would be unaffected."

The statistics bear out this conclusion. Secretary Benson to the contrary, there is no relationship between the price or amount of imported wool and the support price. The Secretary would have us believe that our price-support program attracts wool imports from all over the world, which, in turn, depress the price in the domestic market. However, in April 1952, when extensive Government action became necessary to support the rapidly falling domestic wool price, the cause was not heavy increases in wool imports; for according to the figures the Secretary presented to the House Ways and Means Committee, that was a time when the amount and value of apparel wool imports were dropping sharply. His statement further indicated his belief that the price-support program gave the benefit of higher prices to foreign wool producers who could import wool at a price which, including the duty, was just below the support price. The facts of the matter are, however, that statistics over a period of years demonstrate that there is no relationship between the supported or unsupported domestic wool price and the price of wool imports; and that at the present time, the prices of foreign wool are mostly higher than the support-level prices of domestic wools, particularly in the better quality wools which comprise the bulk of United States production. I realize that in theory at least the price-support program is contradictory to the principles of heavy importation of wool, but I am convinced that it would be far more helpful to the domestic wool producer to revise our present agricultural price-support program than to impose additional restrictions upon the importation of wool.

4. THE ECONOMIC NEEDS OF WOOL GROWERS AND MANUFACTURERS

Finally, getting to the heart of the problem, as a part of a comprehensive approach to these matters, the Congress must consider the economic needs and interrelationships of the wool growers and wool manufacturers. Basically, what does the wool grower need? I do not believe that the answer is higher prices. Between 1941 and 1952, the price of wool in this country increased from 35.5 cents to 53.3 cents per pound (with a particularly sharp rise and then drop during the first year of the Korean crisis. But over this same period of time, the total cash receipts of the wool growers, despite this increase in price, actually showed a decrease from $137.7 million to $123.9 million. The reason is, as pointed out by Mr. Bishop of the Boston Wool Trade Association before this committee 1 week ago, that as prices rose production dropped, from 453.3 million pounds in 1941 to 266 million pounds in 1952. Higher prices, then, will not solve the wool growers' problems, and it is useless to restrict imports for this reason.

But will a decrease in the competition from imports help the wool growers? Again, the record indicates that the answer is in the negative. After the war, the net imports of

apparel wool fell sharply from actual weight of 810.2 million pounds in 1946 to 246.8 million pounds in 1949. During the same 3 years, domestic production, instead of increasing, decreased from 342.2 to 248.5 million pounds. Cash receipts of domestic wool growers fell from $118.8 million to $105.2 million. After 1949, when imports increased once again, domestic production and cash receipts also increased for the domestic wool growers. Curbing imports, then, is not the answer to their problem. The most important statistic is the fact that United States manufacture of woolens and worsteds fell during the same 3-year period from 494 million to 334 million pounds, despite an increase in the world production and consumption of wool.

I think then that it is obvious that what the American wool grower needs most of all is the American wool manufacturer. We export, of course, only an infinitesimal amount of wool; and thus unless the woolen and worsted manufacturers of New England and the South are prosperous and active, the wool growers of the West must necessarily lose their market, decrease their production, and face a decrease in their cash receipts, regardless of the wool-import situation.

Let us consider then the needs of the wool manufacturer. Obviously, because raw wool is a substantial part of the final cost of the finished woolen and worsted product, varying from 20 percent to 50 percent, depending upon the cost of wool and the type of article, the woolen manufacturer is desirous of obtaining his wool from the most inexpensive source possible. With the price of raw wool now being several times as high as in 1939, the wool manufacturer becomes increasingly concerned with his supply from imports. Domestic producers, because of limitations on land, labor, and investment, simply cannot supply enough to meet our needs, particularly at prices comparable with imports, and as a result we must obtain approximately two-thirds of our raw wool from foreign producers.

What, then, would be the result of placing additional curbs upon the importation of raw wool? The woolen manufacturer must either do without or he must pay a higher price. If he does without, that part of his production is either liquidated or devoted to competing fibers, foremost among which are the synthetics. I cannot believe that the wool growers are anxious to see the rapidly growing and highly advertised synthetic and so-called miracle blends displace still further the woolen manufacturing industry to which they must sell their product. As pointed out by the report of the Mutual Security Advisory Board, the wool tariff is "an important element in the competition between wool and synthetic fibers; the use of wool tends to be reduced below the level that would result from free choice by users at prices that would prevail in the absence of the wool tariff. The domestic consumer is entitled to buy woolen goods in preference to synthetics without being penalized for his choice. The domestic woolen manufacturer is entitled to an opportunity to compete on a fair basis with synthetic fabrics. If the consumption and production of woolen goods are not to be penalized, it is necessary to allow raw wool to be imported without a tariff or with a considerably reduced tariff."

If, on the other hand, the wool manufacturer chooses to pay a higher price for his wool, his manufactured product must sell at a higher price, the demand for his products decreases and his foreign competitors undersell him. I cannot believe that the wool growers wish to take such action which would only further injure their market. Nor is this a wise policy for the United States. As pointed out by Fortune magazine of January 1947, the tariff added $136 million to the United States wool bill in 1946 while all the wool in the United States contributed only $126 million to our national income.

What the wool growers and wool manufacturers need, Mr. Chairman, is to take the offensive away from the synthetic fibers and our foreign competitors. We must cooperate to expand our markets and lower our prices. We cannot do this by increasing the price of wool and decreasing our imports. Whatever problems the wool growers of this Nation have, they will not solve them by harming the wool manufacturers. Instead, all concerned should cooperate on the wool growers' problems of grazing lands, disease, and predatory animals; on promoting the marketing and advertising of woolen goods; fair and free competition with synthetics; on revising the price-support program into one that makes sense for all groups concerned, including the consumer; and possibly on seeking a world wool agreement, similar to the world wheat agreement, by which those problems of international trade might be better controlled without harm to the interests of any group. A most recent example of effective cooperation of this type related to the problem of importation of subsidized wool tops from Uruguay in which I was happy to join with Senators from the wool-growing States and the wool growers and wool manufacturers associations in protesting to the Secretary of the Treasury against this discrimination which hurt us all; and I was happy to see Secretary Humphrey's announcement a few days ago that countervailing duties would be imposed. It is only through such cooperation, and through a comprehensive approach by the administration and Congress to our international trade problems, that this Nation's economy, and the vitality of individual industries within it can remain strong and prosperous.

I again express my appreciation for the opportunity to present these views; and although I have not supplied detailed statistical tables in support of the statements I have made upon the assumption that such data was available to the committee, my office will be glad to supply such information upon request.

Statement of Senator John F. Kennedy, of Massachusetts, Before the House Committee on Ways and Means, Thursday, May 14, 1953, on H. R. 4294 (Simpson Bill) and Other Bills To Limit Oil Imports

Mr. Chairman and members of the committee, I appreciate very much the opportunity to appear today in opposition to those provisions of the Simpson bill, H. R. 4294, and 20 some other bills which would severely limit the importation of residual fuel oil into the United States.

Before discussing this particular provision, I would like to mention briefly my position with respect to other issues under consideration by this committee. I favor an extension of the present Reciprocal Trade Agreements Act, as a necessity for the prosperity of our Nation and the free world. I am opposed to quotas and other excessive limitations upon the importation of lead, zinc, and crude petroleum products, all of which—as we so well realize in the manufacturing community of New England—must be available in adequate, economical supply in all parts of the world.

In particular, however, I wish to discuss the harmful effects which would result from section 13 (a) (2) of the Simpson bill which would limit the total quantity of residual fuel oil which may be imported into the United States to 5 percent of the preceding year's domestic demand. I am convinced that the harm to our international relations, our national defense and natural resources and our manufacturing and consuming economies which would result from the imposition of such a quota would far outweigh any of the benefits claimed for our domestic oil and coal industries.

Because I have been making a special study of distressed or labor surplus areas in this country, I am fully aware of the economic problems of the coal industry. But I agree with the conclusions of the hearings on the 1952 Supplemental Trade Agreement that the decline in the coal industry is due not to residual oil imports primarily, but to problems of technology and transportation, methods of productivity, conversions of railroads to other fuels, milder weather, reduced exports, work stoppages and other problems of industrial relations, and particularly the tremendous increase in the use of natural gas as a substitute fuel. Many of these factors have also affected the domestic oil industry. The decrease of 50 million tons in the domestic consumption of coal in the United States in 1952 was accompanied by only a limited increase in the importation and use of residual oil. This has been the consistent trend since World War II, with a much larger increase in the consumption of natural gas. Although the domestic oil industry has recently suffered certain cutbacks, such cutbacks—which were not confined to the United States—followed the most productive year in that industry's history, when more wildcat and development wells and a greater total footage were drilled and more geophysical crews were employed than ever before. The industry has faced similar cutbacks in previous years following mild winters, only to rise to new heights again.

But whatever problems the oil and coal industries may have, they are not to be solved by denying to the consumer his free market and free choice. In New England, for example, our textile mills are suffering very seriously from foreign imports and other problems. Unemployment is heavy in many of our mill towns. But we do not claim that the answer to the problems of the woolen and cotton textile industry is to raise the consumers price and require him to use woolen or cotton textiles instead of synthetics. Nor are we seeking a solution which would do great harm to this Nation's international relations and defense.

The harm to our international relations: If we are to expand our trade with other nations, give them an opportunity to close the dollar gap and buy our goods and bolster the prosperity of the freed world, this Nation cannot take such action as the Simpson bill provides and arbitrarily violate our trade agreements with other nations and refuse to buy their goods. Today, with respect to residual fuel oil, this issue arises primarily in our relations with Venezuela, which provides 97 percent of our residual fuel-oil imports and 70 percent of all of our oil imports. Since 65 percent of that nation's oil product is residual fuel oil, it is estimated that the provisions of the Simpson bill would inflict a loss of $300 million a year or 23 percent of its output upon that nation, 65 percent of the revenues of its national treasury presently coming from these residual-oil exports. We would thus threaten not only the friendship of a free and peaceful friend who has never asked or received a single dollar of United States aid, but also, as pointed out by the Secretary of Commerce, threaten the availability to the United States of that vital oil supply by increasing demands for nationalization and requiring Venezeula to sell to other countries, perhaps behind the Iron Curtain.

The harm to our defense and natural resources: This relates to a second important point: The adequacy of our oil supplies in the interests of defense and conservation. At present we have an 11 to 1 advantage in oil over the Soviet Union because of our supplies and concessions abroad. But, as pointed out by the Mutual Security Public Advisory Board:

"The United States cannot expect to have access to such supplies unless it imports reasonable quantities of petroleum from these producing regions. As petroleum products constitute more than half of the total shipments to military forces, it is necessary to have assured source available in other countrie in all parts of the world where they would be accessible to our forces."

For similar reasons, the President's Materials Policy Commission recommended last year:

"In view of its future needs and limited resources, this Nation should welcome crude-oil imports, not place obstacles in their way. Tariffs on crude oil imports should therefore be held down, reduced, or eliminated, within the limits imposed by national security considerations."

The harm to our exporting industries: Turning now to the effect on our domestic economy, let me first mention briefly the harm such import limitations would impose upon our farmers and manufacturers who must sell their goods to other nations in exchange for the dollars those nations receive by selling oil to us. Venezuela is this Nation's fourth largest customer. Last year, it bought more than 70 percent of its imports from the United States, one-half billion dollars worth of machinery, textiles, electrical goods, electronic devices, leather goods, paper, canned foods, chemicals, and other products which are of such great importance not only to New England but all parts of the United States. Since Venezuela gets 95 percent of its foreign exchange from the oil that it ships to the United States—which, when the shipping, insurance, and other services we provide are included, is worth roughly one-half of the goods and services it buys from us—this profitable market will be denied to us, with resulting consequences upon the incomes of our producers and their employees.

The harm to our residual fuel oil consumers: Finally, I wish to point out the disastrous effects such limitations would have upon those who presently consume residual fuel oil. I think it is apparent that such limitations would have and are frankly designed to have three direct results. First, the supply of residual fuel oil in this country would be decreased. It is generally agreed that, because American refineries concentrate on more valuable components of crude oil, there will be an increasing gap between domestic production of residual fuel oil and demand. The State Department, the Mutual Security Advisory Board, and the Paley Commission all forecast an increasing deficit over the next 25 years unless there should be a tremendous unforeseeable increase in the discovery of new wells in this country. If this deficit, which in 1951 was 117 million barrels of residual fuel oil, is not met by imports, and the yield of residual oil in United States refineries continues to drop (as it has by nearly one-third since 1945), the shortage could be a serious one. Since it is estimated that the United States, now importing over 400,000 barrels of residual oil daily, will face an 80 percent cut in its imports to approximately 80,000 barrels per day, the reduction of supplies is not a minor one. But in New England, where an analysis of tankers receipts in 11 ports shows that two-thirds of its 60 million barrels of residual fuel oil consumed per year are imported, the cut would have a most harmful effect upon the consumers of such oil.

The second result which naturally follows such a reduction in supply is an increase in the price of residual fuel oil. Some have estimated price increases of 50 percent or more would result from the enactment of this bill. Based on New England's experience with a moderate fuel shortage in the winter of 1947–48, when the price increased $1.23 a barrel from February 10, 1947, to February 4, 1948, such an increase in price would cost our region alone—and we use one-third of the residual fuel oil consumed in the United States—over $70 million annually.

The third result which naturally follows a decrease in supply and increase in price, and which is fully intended by the coal industry in its support of this measure, is a conversion by many consumers now using oil to coal. Many of these consumers have during the past several years converted at great expense from coal to oil. Others could not meet the necessary costs of the heavy equipment and installation costs, higher operating costs, and additional storage requirements which such conversion would entail. Still others—such as ships, apartment houses, hospitals, churches, public buildings, and some industries such as laundries and others—could not convert at all and would be forced to compete at higher prices for whatever oil was available. Because New England gets its oil by water and its coal by rail, the first is obtainable at a savings, while coal to large purchasers is priced about 40-percent higher than to similar buyers in the country as a whole.

I am hopeful that representatives of other parts of the country will indicate to you how these three results would harm their region and the Nation as a whole; but permit me to draw upon my experiences in New England to demonstrate how such restrictions on fuel oil would damage our economy. It is estimated that 30 percent of the New England users of residual fuel oil are public utilities. Economic studies by the Federal Power Commission and the Federal Reserve Bank have indicated that about 80 percent of the difference in the cost of steam-generated electricity to New England and to the United States is the result of differences in the cost of fuel. To further increase this cost would be to make our power costs even more discriminatory. Forty percent of New England's residual fuel oil goes to industry, for its boilers and furnaces and other industrial uses. I need not tell you that too many New England industries already are on the verge of liquidation or migration, and that our towns such as Lawrence already have unbelievably high unemployment rates. Their economic existence should not be further threatened by this measure. Since New England is the largest user of imported heavy oil in the Nation, the New England Council and other groups have expressed serious concern over the effect of curbing importations; and the New England Governors' Textile Committee and the Council of Economic Advisers' Report on the New England Economy both called for the importation of fuels without tariffs. Fifteen percent of our region's residual oil is used for purposes of heating homes, apartment buildings, offices, and factories. This is an important factor in the cost of living in the colder climate of New England; and, according to the 1950 census, over 50 percent of the heated occupied dwelling units in Massachusetts used oil, rather than coal or gas. This is no time to increase the cost of living to these families and businessmen. Finally, 15 percent is used for bunkering ships at port, railroads, military, and miscellaneous uses. Here again, price and supply are important; and it is reliably estimated that the total residual oil available under the Simpson bill would not be enough for bunkering our ships alone.

In conclusion, Mr. Chairman, I want to say that I agree with the conclusions of past congressional and Executive studies which have recommended, not excessive import limitations, but other means of stimulating the discovery and development of our resources, the conservation of our fuels, the diversification of our industries and other means of assistance to our oil and coal industries. Let us adopt a program seeking more fuel, more energy, more production, and better living standards, with increased trade between nations, all over the world.

Mr. KENNEDY. Moreover, both the Waltham and Elgin Watch Cos., as pointed out in a recent Fortune magazine article and a recent editorial in the Worcester (Mass.) Telegram, have demonstrated their New England initiative, to a degree deserving public commendation in view of the severe difficulties they have faced, in meeting competition of Swiss watches through better production and diversification. The Public Advisory Board for Mutual Security in its report to the President on a trade and tariff policy in the national interest recommended that in those cases where a choice must be made between injury to the national interest and hardship to an industry, the industry be helped to make adjustments through extension of unemployment insurance, assistance in retaining workers, diversification of production, and conversion to other lines through RFC loans and tax incentives. It will be noted that all of these items are included in the program I have been discussing. We need, moreover, to develop markets abroad for our textiles, electrical machinery, metal fabricating and other manufactured products. Hundreds of thousands of Massachusetts jobs depend upon exports. An estimated 1 of 19 of manufactured goods in our Commonwealth is for export, and a proportion twice as high exists in Connecticut and Rhode Island.

Nevertheless, at least two other important industries in New England, textiles and fish as well as watches, have already been seriously damaged by heavy importations of such commodities from other countries. I have supported the requests of the fishing industry for a determination by the Tariff Commission—and I may say parenthetically that, in my opinion, it is the Tariff Commission that should decide these questions—as to whether countervailing duties or other limitations were necessary to prevent unfair competition from foreign imports. I have supported the requests of the woolen industry for a Treasury and Tariff Commission investigation of discrimination from subsidized wool-top imports which have become increasingly heavy from certain South American countries in recent years at prices from 25 to 40 cents below those combed in Massachusetts, Rhode Island, and Pennsylvania. But I further ask, as my colleague the senior Senator from Massachusetts [Mr. SALTONSTALL] has long urged, that the Congress and the administration act with caution when lowering tariff barriers with respect to the fish, textile, and other industries already distressed. No one claims that either woolen textiles or fish are infant industries in need of absolute protection. On the contrary, both industries are suffering from old age rather than infancy. But a reduction in tariffs on those strong and growing industries of this country is more beneficial to the economic stability of the entire Western World than to grant further extreme concessions causing further heavy unemployment in those industries already declining and heavily concentrated in particular areas. To restrict the entry of Parmesan cheese from Italy while offering no significant barrier to Icelandic fish is not a realistic policy. There is no need to make wholesale reductions in our duties which will only lead to further deterioration of our own industries and living standards

when the nations primarily benefited thereby are not in need of assistance in closing the dollar gap or other economic aid. Nor can we assume that the attainment of lower trade barriers for the United States is an isolated goal without regard to their relationship to the trade-barriers of other nations and their effect upon the domestic economy.

I realize that our trade policies must of necessity be based on the national interest, and not the interest of any particular region; but I am urging a cautious approach to this problem because of the effect which a damaged regional economy can have upon the Nation and the entire world. Much can be said in favor of the idea of specifying the quantities of these highly competitive commodities that would be permitted to enter the country in a given period of time at reduced rates of duty, particularly in relation to domestic production. This would mean that the domestic producers would know how much competition to expect under certain circumstances and would be able to make their business plans accordingly. Many of the complaints up to now against tariff reductions have been occasioned by the uncertainty of the results of lowered duties. If producers knew that quotas would increase—and at a diminishing rate—only as domestic production and consumption increase, they might be much less fearful of reductions in tariffs. Upon many occasions individual producers have made it plain that uncertainty is their greatest worry when it comes to import competition.

Such a policy of caution would be consistent with the recommendations and the Report of the New England Governors' Committee on the Textile Industry and the report of the Committee on the New England Economy. The latter report states:

> The Federal Government should reduce import duties on products of New England's declining industries with caution and whenever possible should offset any reductions by reducing barriers against imports of raw materials and foods into New England.

Such an approach is not inconsistent with our present international trade policies or the new catch phrase of "trade, not aid." A considered approach in the reduction or imposition of trade barriers affecting distressed industries is an important objective in the maintenance of national and international, as well as regional, prosperity.

ANTITRUST LAWS

Third, we must make certain that our antitrust laws are strengthened and effectively enforced. I have previously pointed out the fundamental importance of small business in the preservation of competition to our national economy and particularly to regional economies in need of economic stimulation and expansion. As I said at that time, we should neither give unfair advantage to small business nor condemn big business. But such small business and vigorous competition cannot continue if they are denied the opportunities and resources which are essential to their existence by the economic concentrations, discriminations, and other predatory actions of their giant or unlawfully combined competitors, who seek to force them out of business, capture their market or keep others out of business originally through such practices. Monopolies are not always more efficient, nor do price discriminations always save the consumers money. To weaken at this time the Robinson-Patman Act as has been proposed and thus permit monopolistic price discriminations without effective legal remedies is unthinkable to those of us who believe in the preservation of a competitive free enterprise system. The Robinson-Patman Act, the Clayton Antitrust Act and the Sherman Antitrust Act are all in need of strengthening to prevent the enemies of competition from taking advantage of loopholes in the law, uncertainties in interpretation, or weaknesses in penalties or enforcement. Such laws do not foster the inefficient or fight the competitive struggle for the weak; they merely assure for all a fair and equal opportunity to compete.

It is important that the Federal Trade Commission, dedicated by Congress to protecting the rights of businessmen from unscrupulous trade practices, should not be destroyed through weak appointments or inadequate appropriations. The same is true of the antitrust Division in our Department of Justice. For more than half a century, this Nation has believed in preventing unlawful business conspiracies. We must continue in that tradition, and strengthen our fair competition statutes and agencies, if we are to retain the vitality of our economy.

ANTI-INFLATION AND ANTI-RECESSION POLICIES

Fourth, a healthy national economy, and particularly a regional economy such as New England which is dependent upon the rest of the country for its supply of raw materials as well as its markets, requires adequate safeguards against any future inflationary spirals. While current signs indicate that at present the peak has been reached, we are particularly interested in New England in preparing against future inflationary disaster. As pointed out by the report of the Committee on the New England Economy, New England has a larger interest than most regions in controlling inflation:

> It tends to suffer in inflationary periods both from the usual tendency of raw material and agricultural prices to rise faster than other prices and from the failure of the relatively heavy property income component in its total income to grow at as rapid a rate as other incomes. Being a large net importer of food, feed, and raw materials, it felt severely the impact of the rapid inflationary price increases in these commodities after the outbreak of the war in Korea. In fact, according to as yet unpublished analyses by the Federal Reserve Bank of Boston, it was a net loser by $7 million on commercial and financial account during the year 1950 for the first time on record. Much of the deteriorated position in commercial and financial account in the postwar years can probably be attributed to the differential impact of inflationary developments on the New England balance of payments. New England would be well-advised to be in the vanguard of those demanding antiinflationary measures.

I thus deem it essential not only for the good of the New England economy but for the protection of the consumer and businessman and farmer and worker in all parts of the country, that the damaging consequences of the sharp inflationary increases in the cost of living which result from emergencies be controlled in advance. The President has seen fit to remove all controls; this has already increased the cost of many vital commodities, such as copper, and many essential market-basket items, such as coffee. Controls will not now be restored, I know; but it is essential that an adequate standby controls program be maintained by Congress in preparation for an emergency which would cause such an inflationary increase. It is no use ordering the fire extinguisher after the fire has broken out. An adequate standby controls program which would go into immediate effect in the case of emergency is a necessity if we are to prevent the economic hardships to both individuals and our entire economy which result from uncontrolled inflation.

In view of the present indications of deflationary trends, it is apparent that we must be equally concerned with the dangers of a severe recession. Practically every measure which I have advocated in this series would be an important step in developing our economy, the stability of our industries, the wages of our workers, and the purchasing power of our consumers, and thus ward off another severe recession. It is my belief that such measures will strengthen those many programs of the last 20 years which should prevent any recurrence of the great depression of 1929.

However, if the Federal Government is to be prepared for threatening trends of this nature, not only legislation but advance study and preparation are required. For these reasons, I am anxious that the valuable work of the President's Council of Economic Advisors and the Joint Congressional Committee on the Economic Report be continued; and that the Congress and the executive branch take steps now to prepare for the economic changes necessary when the present mobilization period ends. Adequate preparation for deflationary economic crises is necessary for the maintenance of a strong economy and Nation and for the economic well-being of our citizens.

AGRICULTURAL PROGRAMS

Fifth, New England is concerned about our national agricultural policies and their effect upon that region. As pointed out by the Report of the New England Governors' Committee on the Textile Industry, agricultural policies which excessively and artificially increase the prices of farm products, raw materials and food are contrary to the interest of New England industries and consumers who must import a large proportion of such products from outside the region.

Since 1928, the prices of raw cotton and wool have increased five times as much as those for rayon staples, causing New England textiles to face higher prices, decreased sales, increased competition and increased need for new machinery and plants which are too often

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in other areas. Moreover, our tax funds are used to purchase the commodities which are stored to keep up the prices we pay. On the whole, although New England's own agricultural groups have not received support from the Federal Government comparable with other regions and other commodities, they are, nevertheless, forced to pay higher prices for their grain and other artificially supported products. The importance of such groups cannot be overlooked. Ten million acres of New England are in farmland. The dairy and poultry industries of New England each contribute nearly $200 million annually to the income of that region, with a total farm income of approximately $600 million. Many counties in New England rank among the leaders in these two lines, and in tobacco, fruits such as apples and pears, vegetables such as potatoes and onions, nurseries and greenhouse products, and other items. In 1950, 34 New England counties ranked among the leading 100 counties in the Nation 170 times for specific farm activities. Worcester and Middlesex Counties in Massachusetts, for example, have some of the best farms in the Nation. But aside from highly dubious programs for such items as potatoes, butter and others, the present price-support law has hurt the region more than it has helped. The chief support items—corn, cotton and wheat—cost New England dearly in taxes and prices. New England CCC loans on 1949 and 1950 crops were but nine one-hundreds of 1 percent of the $2.6 billion total.

We favor prosperous agriculture everywhere as a boon to all regions, but it would be better if this were not done at the cost of higher prices and unequal treatment for some regions. The Committee on the New England Economy stated that Congress should study carefully proposals which would shift our Federal agricultural policy to "supporting farm incomes directly while leaving agricultural prices to be determined in the market." Such a program must, of course, be without regimentation of the rural economy, subsidization of the inefficient farmer, or subordination of the independence of all farmers. Nor has Congress ever given adequate attention to the special problems of specialized agriculture that always characterize our older or industrialized regions. I am hopeful that the Congress and the Department of Agriculture will give active consideration to needed improvements in transportation, research, equipment, land use, labor recruitment, and education for New England's farm families as recommended by the Committee on the New England Economy. A national farm program which will promote the interests of all farmers and consumers in all regions would be an important step in bolstering our national economy.

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VI. CONCLUSION

Mr. President, this concludes the presentation of my discussion of the problems facing the economic growth of New England and other parts of the country and the outline of my proposed solutions for such problems. As I have stressed throughout, although many of the recommendations I have made are of special importance to New England, nevertheless, none is contrary to the national interest, but rather would, if enacted, be of benefit to all the people wherever they may live. My discussion of these problems is intended to inspire action, not gloom. It has been impossible for me to cover adequately here all of the problem areas in our region or Nation, or to discuss all legislative steps which might have an effect thereon. I am hopeful that the present study conducted by the National Planning Association under the auspices of the Joint Committee on the Economic Report will cast further light upon these problems and their remedies. It has also been impossible to present the full details of all of the various legislative proposals which I have mentioned. But I am hopeful, Mr. President, that I have presented a basis for legislative attention and action on these problems. I realize that it may well be 2, 4, 6, or more years before such a program is enacted. I also realize that there will be many New Englanders both in the Senate and in my home State who may disagree with one or more of the proposals which I have set forth. The cooperation of all Senators from both parties from New England and other regions who realize the importance of getting started on a comprehensive program to meet these problems which threaten our economic well-being is essential; and I would welcome their study and suggestions in order to provide the most feasible legislative tools to deal with such problems.

This presentation has been organized primarily along the lines of the problems involved rather than the relationship between the various proposed solutions. Thus, the question of tax amortization is important to the stimulation of new industry, to the equitable distribution of Government incentives, and to elimination of abuses of tax privilege. An improved social-security program is essential to the equalization of labor costs and to a reduction in the hardships caused by dislocation and recession. Nor have I attempted to deal with these problems on an industry-by-industry basis. Thus, the textile and shoe industries may benefit from those proposals aimed at preventing a further decline and dislocation of business, tax incentives for modernizing equipment, regulation of trade in wool futures contracts, caution in international trade policies, a farm program which decreased market prices of wool and cotton, cheaper power, and most of the other items mentioned. The fishing industry will benefit from such caution in international trade policies, as well as from the proposal to provide additional funds for research and market development, tax amortization incentives for new equipment, and industrial diversification. All industries will benefit from improved transportation and cheaper power, from the protection of small business, the stimulation of new business, and economy in the National Government, to name but a few.

This is basically a program for business, for its employment, its stimulation, its modernization, and its protection. It is also a program for so-called distressed areas, to bring them new industries, to prevent further industrial migrations, and to reduce the hardships caused by such migrations and heavy unemployment. The theme of the program, if it may be boiled down to a single sentence, would be the importance of the Federal Government in the preservation of fair competition in an expanding economy.

In short, I have proposed that the Federal Government act in the following specific ways:

First, toward the diversification and expansion of commercial and industrial activity—

1. By providing for regional industrial development corporations;
2. By permitting tax amortization incentives to industries expanding in labor surplus areas, and older industries seeking to replace and modernize equipment;
3. By establishing an adequate job retraining program for the acquisition of new skills for the unemployed;

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4. By preserving and strengthening independent Government agencies such as the RFC and SDPA for providing loans, technical assistance, and a fair share of Government contracts to small business;
5. By providing for the fullest utilization of our natural resources and the development of an adequate supply of low-cost power;
6. Through adequate appropriations for the New York-New England survey;
7. The reservation for New England of a proper portion of the output of the St. Lawrence power project;
8. A study of the feasibility of the Passamaquoddy project;
9. Approval of the Connecticut River flood control compact;
10. By making permanent the Water Pollution Control Act; and
11. By specifically earmarking an equitable portion of import-duty funds for research, quality control, and market development in the fishing industry.

Secondly, toward the prevention of further decline and dislocation of business—

12. By more nearly equalizing the cost of labor—through increasing the minimum wage and otherwise improving the Fair Labor Standards Act;
13. Through clarifying and making more effective the Walsh-Healey Act without the restrictions of the Fulbright amendment;
14. Through modernizing and adequately enforcing such laws to prevent abuses in the provisions regulating child labor, learner permits, and the Puerto Rican exemption;
15. Through revising the Taft-Hartley law to prevent unfair restrictions on unionization in competing areas;
16. Through preventing the exploitation of minority labor with a Federal equal opportunity law and enforcement of nondiscrimination provisions in Federal contracts; and
17. Through the equalization of nonwage payroll costs by providing for a more adequate social-security program; and
18. Minimum standards in our unemployment compensation program.

By eliminating competitive abuses of tax privileges which have accentuated such business decline and industrial migration—

19. Particularly municipal securities used for commercial purposes;
20. Liquidations under the capital gains provision;
21. The abusive use of charitable trusts and other tax-free institutions,
22. Total exemptions in Puerto Rico; and
23. The misuse of tax amortization certificates.

By providing for an equitable distribution of Federal business incentives—

24. Through the allocation of defense contracts to labor surplus areas; and
25. The equal distribution of tax amortization certificates; and
26. On a long-range basis, in the location of Federal installations and grants;
27. By investigating the discrimination in the costs of New England transportation, including trucking rates, railroad freight rates, and ocean freight rates from the port of Boston; and
28. By providing for regulation of trade in wool futures contracts under the Commodity Exchange Act.

Third, toward a reduction of hardships caused by recession or dislocation—

29. By providing for a more adequate unemployment compensation program with reinsurance of State unemployment funds and/or supplementary benefits to workers who have exhausted their claims; and
30. By providing for a more adequate program for our older citizens through the liberalization and extension of our old age and survivors insurance program, improvements in the old age assistance program and a study of other problems; and
31. By providing for a more adequate middle-income housing program.

Fourth, toward the accomplishment of other overall legislative objectives affecting these problems, including specifically—

32. Economy in the National Government,
33. Caution in the development of international trade policies,
34. Effective enforcement of anti-trust laws,
35. Safeguards against the disaster of further inflation or serious recession, and
36. A national agricultural policy which harmonizes the interest of all segments of the economy.

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Let us go forward to build a better New England—a better Nation and a better world—free from the economic hardships and tragedies which prevent a full life for us all.

Mr. LEHMAN. Mr. President, I have read the greater part of the excellent study which the junior Senator from Massachusetts [Mr. KENNEDY] has made of the economic problems of New England. This careful analysis of the industrial ills of that great section of our country should be considered seriously by all those interested in the well being not only of New England, but of the entire Nation.

I am happy to join with the many others who have commended the junior Senator from Massachusetts for this valuable service.

Mr. KENNEDY. I thank the Senator from New York.

Congratulations to Hon. John F. Kennedy, of Massachusetts, for a Job Well Done

EXTENSION OF REMARKS
OF
HON. EDWARD P. BOLAND
OF MASSACHUSETTS
IN THE HOUSE OF REPRESENTATIVES
Wednesday, May 27, 1953

Mr. BOLAND. Mr. Speaker, on last Monday, May 25, the junior Senator from Massachusetts, the Honorable JOHN F. KENNEDY, completed his series of congressional speeches pointing to the serious problems and suggesting some remedies on the economy of New England. I rise today, Mr. Speaker, to congratulate him on the brilliance, the thoroughness, and the forthrightness with which he has presented the problems of New England to the Senate of the United States. I am pleased to associate myself with the distinguished Senator from Massachusetts in his great efforts to harness the cooperation of the Nation, through the Congress; New England, through interstate compacts; Massachusetts, through concerted action by Government, business, and labor. Through the cooperative efforts of all of these groups, New England's economy can be built back to what it should be.

Mr. Speaker, Senator KENNEDY has performed a task that has been little short of herculean. I have had the records of Congress searched and could not find anything that approaches, in relation to this particular theme, the study, the research, the painstaking analysis. Senator KENNEDY's splendid report could have come into being only after many, many hours of diligent search; pouring over the many and voluminous reports of groups that have dealt with similar matters; burning the midnight oil into the early hours of the morning in evaluating all available data and combining the best of it with the Senator's own solutions. It surely was a labor from which many would have shrunk—arduous, penetrating, and slow. It takes courage, patience, ability, and industry to sift the mountain of facts and figures into clear, intelligible, and convincing argument. Senator JOHN F. KENNEDY met the challenge in characteristic style.

The report offers no easy solutions, no panaceas, to the major industrial problems of the northeast region. It does pinpoint the matter and points the direction that can lead to success. Success necessitates unity and cooperation. I strongly favor the recommendation of Senator KENNEDY that the New England congressional delegation organize into a cohesive, active group. I have assured Senator KENNEDY of my whole-hearted endorsement of his suggestion. The united efforts of all of the New England congressional members are needed to promote the legislative action necessary to meet the problems that confront the area. The group would serve as an ideal sounding board for the region. It could meet to study, review, and pass on general legislation. It could map out ways and means of dealing most effectively, on a legislative basis, with matters relating to New England. I trust that the members from New England will take immediate steps to organize into a real, formal, and effective congressional delegation.

Editorial and Press Comment on the Kennedy Program

[From the New Bedford (Mass.) Standard-Times of May 21, 1953]

AID FOR NEW ENGLAND

Apart from any consideration of the program itself, Senator KENNEDY's ambitious and far-reaching plans for Federal legislation to help cure New England's economic ills have a definite value. Simply by bringing the attention of the Nation's lawmakers to the problem and orienting it to the Nation's whole economic well-being, the junior Senator from Massachusetts has performed a useful service. But more important his efforts to rally the national legislators from New England into a unified, dedicated and articulate bloc within Congress to speak for and plan for New England, in concert, give promise of a new order of things in the Nation's Capital.

It is obvious that ties that bind New England, economically and industrially, are stronger than the competitive differences between the individual States. Yet, despite this compelling reason for mutual endeavor, New England's Senators and Congressmen have gone their separate ways in the past. Seldom have this area's Representatives in Washington joined forces in the interests of the region as a whole.

If Senator KENNEDY's tremendous efforts accomplish only this—a working arrangement among the national representatives of the six New England States—he will have accomplished much.

The program for Federal legislation to bolster New England's economy offered by KENNEDY is set forth in a series of 3 speeches, 2 of which already have been delivered on the floor of the Senate. Much of what he recommends is not particularly new or original. Revising the Walsh-Healey law to permit northern textile industries to achieve equal footing with their southern rivals in competing for Government contracts, raising the national minimum wage to $1 an hour—another approach toward the equalization of wage-rates North and South; eliminating transportation differentials unfavorable to New England; revising the Taft-Hartley law to make it easier for unions to organize southern labor, and eliminating some of the tax loopholes which give southern and western communities a competitive advantage when bidding for new industry.

To some of all of these suggestions, there will be raised dissenting voices. Southern Senators and Congressmen will be reluctant to support any legislation that will impair that region's currently favorable position. Nor are they certain of unanimous northern support.

But the Senator from Massachusetts recognizes his program is neither fixed nor sacred. He and it are both amenable to improvements. However, it must be clear to all that no program can meet all objections it will encounter and still retain any value.

The major innovation included in the Kennedy plan is the creation of regional industrial development commissions. As he envisages them, they would be chartered under the Federal Government as tax-free enterprises to provide technical and management help to new or expanding business. The regional Federal Reserve bank would organize and sell stock in the Commission and all that would be needed to get one started would be to have two or more States indicate their willingness to participate. State industrial development organizations could gain membership and the regional body could make loans to the State commission or guarantee its loans if desirable.

As KENNEDY develops the idea, the regional commissions would be self-supporting, autonomous and regionally directed. There have been objections to the plan on the ground that it smacked of new bureaucracy and New Dealism. There may be other valid objections, but this isn't one of them.

The only other new principle offered by KENNEDY in his first two speeches entails a program for permitting quick tax amortizations on new industrial buildings and expansions in labor-surplus areas, and in older industries seeking to modernize their plants. This is similar to the present system of allowing quick tax writeoffs for defense industries. There should be little objection to this provision from any source.

On the whole Senator KENNEDY has displayed a remarkably keen penetration of the problems besetting New England's continued industrial growth. He has no panaceas to offer and he readily admits the Federal Government can play only a relatively small part in overcoming all the obstacles to that development. The major share of the burden must be borne by the States, local communities and the people of New England whose faith in New England's future will be tested by their willingness to invest in it.

But, inescapably, the Federal Government has it in its power to provide an assist in this imposing task, and Senator KENNEDY's thoughtful, detailed and comprehensive program deserves a detailed, thoughtful and comprehensive analysis and discussion by the officials, industrialists, and people of New England. This, we can be sure, it will receive.

[From the Boston (Mass.) American of May 22, 1953]

ON SOLID GROUND

Senator JOHN F. KENNEDY made an important contribution to the further welfare and stability of the Nation and the several States when he deplored the municipal-bond abuses which are an increasingly common practice in the South.

It cannot be denied that mortgaging a city or town for the more or less exclusive benefit of an industry which may or may not survive is a hazardous course of action, particularly in these inflated times.

Every other taxpayer in the community has to assume the burden which the favored industry avoids, and that cannot fail to result in a reduction in the general living standards.

Extravagant tax exemptions, which the Senator also criticized, have attracted some firms to the South from New England, because our constitutions and statutes do not allow us to engage in this sort of ruinous competition.

But there is no assurance that the migration will be beneficial to the South in the long run. An industry which goes bargain hunting around the country for cheap labor and no taxes can prove more of a liability than an asset to a city or town.

It is a fact, also, that many of the leading brokerage houses are seriously disturbed by the activities of southern municipalities which are erecting mills at public expense for least at almost ridiculous sums to fugitives from the North.

If too mony municipalities tried to expand in this near-Socialist manner, the Federal Government might be forced to intervene and impose taxes on all city and town bonds.

Such action would have a serious effect on the entire bond market, and the ability of cities and towns to make essential public improvements would be impaired.

Senator KENNEDY was on equally solid ground when he chided Congress for sanctioning laws which have perpetuated backward conditions in the South and tended to jeopardize the social progress which the North has made in the past half century.

For, as he advised his colleagues, it would be infinitely better so far as the whole Nation is concerned to bring the South up to level of the North rather than to force the North to sink to the conditions prevailing in those parts of the South which have resorted to financial schemes and panaceas that cannot be easily reconciled with free, competitive private enterprise.

[From the Boston (Mass.) Traveler of May 20, 1953]

AIDING NEW ENGLAND

Senator KENNEDY has fired the first of three broadsides intended to jar Congress into helping solve New England's economic problems. His second will be touched off today, and his third will be heard on Friday.

Briefly, he feels that the major economic pains of this region can be eased by a 40-step legislative cure-all program, which also would benefit all the rest of the Nation. He feels that New England isn't getting enough held from Washington to compensate for the taxes that we New Englanders have to shell out.

His critics are saying that this is a bid for unwanted Federal interference in local affairs. His backers are saying that we're entitled to a lot more Federal aid than we're getting and that we'd be idiots not to demand it.

Leaving that angle out of the picture for the moment, there's no question that we have lost large chunks of our industry to the South in recent years and that we need to modernize and expand.

Probably no other region has contributed as much to the development of this Nation as New England has done. In finance, culture, and hard-rock construction, New Englanders have led the way. In textiles, shipping, science, and learning, they have climbed the high peaks. Unfortunately, sometimes they have slipped down the far side of those peaks and seen others take their place.

Senator KENNEDY's fight to patch up our economic life is an imaginative fight and a timely one.

We're a long way from dead, in this part of the country. We have been hurt, but we've not been paralyzed. What we want now is to overcome those hurts, and regain some of our lost leadership.

In spite of our occasional setbacks, we are still up with the leaders. New industries are expanding here and beckoning us toward a new golden age. Old industries are still in the black more often than not.

But we do need to pull together as a region, rather than separately as six States. And we are entitled to fair and just consideration in Washington when we go there with our problems.

KENNEDY's program deserves close study.

[From the Brockton (Mass.) Enterprise and Times of May 20, 1953]

SENATOR KENNEDY'S SPEECHES

Senator JOHN F. KENNEDY has delivered the first in his series of three congressional speeches, all aimed at establishing a pattern of progress for New England.

The Senator made it clear that while he was a special-interests pleader—speaking for the New England States—"* * * the recommendations I have made * * * would, if enacted, be of benefit to all the people wherever they live."

Admitting that the South has taken much business from this six-State section, Senator KENNEDY commented: "But it is not my intention to attempt to penalize the South * * * to give New England or the North any unfair advantages * * *."

All of which will certainly do his cause no harm with fellow Senators from the South and other sections of this country.

The junior Senator from Massachusetts has made it known he will follow up the presentation of his program with the introduction of and active support for specific legislative measures embodying its recommendations.

Management and labor will weigh the Senator's recommendations carefully. It is doubtful if what he proposes will please both. Yet what is good for New England is good for both management and labor, and—let us not forget—the people who sent Mr. KENNEDY to the Senate.

[From the Augusta (Maine) Kennebec Journal of May 20, 1953]

A DO-SOMETHING PROGRAM FOR NEW ENGLAND

For the last few years we have seen at least one major study or survey per year of New England's economic difficulties. What, if anything, any of them has accomplished has yet to be shown.

Now Massachusetts' new Democratic Senator JOHN F. KENNEDY comes forward with a new approach. His is a 159-page book on the region's economic problems that lays more emphasis on action than study. In fact, he entitles it "A Program for Congressional Action."

We won't attempt to review the 50 different proposals for congressional action, ranging from regional industrial development corporations through tax measures to encourage business expansion and stepped-up job retraining to specific projects such as Quoddy and the St. Lawrence seaway. The program has been touched on in news articles and is the subject of May Craig's column on this page today.

What we do want to comment on is Senator KENNEDY's approach. His study, while exhaustive, is of far less importance than his program of action. As a matter of fact, his study should have required little more than an analysis and correlation of material obtained in all the other studies on this subject made by the Governors' Conference, the New England Council, the Inter-Agency Committee, the President's Economic Advisory Commission and all the others.

But, by proposing a program of action, he offers the one thing that has been most lacking, intelligent and dynamic leadership. He offers a rallying point for the entire New England delegation. And he holds a hope for getting the attention of the entire Congress by pointing out that "even though many of the recommendations I have made are of special importance to New England, nevertheless, none is contrary to the national interest, but rather would, if enacted, be of benefit to all of the people wherever they may live * * *."

He points out that even if the measures did benefit New England chiefly, it is recognized that one region's prosperity has some effect on supporting the entire Nation's prosperity, while a serious depression in any one section will eventually take its toll in other sections.

There undoubtedly will be some resistance to his program on the grounds that it is paternalistic and in violation of States' and local rights. But in nearly every instance it will be possible to puncture this stand by pointing out that local and State agencies have failed utterly to solve the problems.

Take, for instance, the city of Lawrence, Mass., where unemployment in these booming times is close to that of the great depression.

Take, for instance, the question of pollution, one of the most shameful problems in Maine, the State that boasts of its lakes and streams. Local communities and the State have failed utterly, thus far, to solve the problem. Senator KENNEDY points out that clean water is one of the major demands of industry today, the integrated steel mill New England is seeking, for instance. But Senator KENNEDY has a concrete proposal for solving the problem, both for private industry and communities which dump their sewage into the rivers.

The Kennedy program is too broad and comprehensive for blanket endorsement. But the approach deserves hearty praise and support. We'll be interested to hear what the Maine delegation members have to say about it.

New England should be hearing a lot from this program in the coming months.

[From the Reading (Mass.) Chronicle of May 21, 1953]

A PROGRAM FOR NEW ENGLAND

Senator JOHN F. KENNEDY has shown one of the reasons he was able to make such an impression at the polls last year. He is an intelligent and earnest young man going about his job in a workmanlike manner.

Just issued by him is a series of three speeches in which he is presenting the economic problems of New England with a program for congressional action. Two of the speeches have been presented and the third is slated for tomorrow. We have had time to examine only the first speech.

Lumping New England's problems in one package seems to be logical since we have many common to the whole area which has been sending large sums in Federal taxes to Washington and watching the money used to help other parts of the country while less came back to relieve the plight of some of our cities and industries.

His panacea for New England communities like Lawrence and Lowell, suffering from labor surpluses, would, he says, help similar communities in, for instance, Tacoma, Terre Haute, and Scranton, which also suffer from these conditions. His cure for the economic stagnation of particular areas is introduction of new industries, renovation of old ones, and retraining surplus labor for new jobs.

To this end he recommends and will seek Federal legislation for: regional industrial development corporations; tax amortization incentives to industries expanding in labor surplus areas, and older industries seeking to replace and modernize equipment; a job-retraining program to furnish the unemployed with new skills; strengthening the small-business functions of either RFC or SDPA (Small Defense Plant Administration); providing low cost power through hydroelectric and flood control projects; providing an equitable portion of import duty funds for research and market development in the fishing industry.

While much of Senator KENNEDY's speech sounds reasonable, it is hard for Republicans just committed to less Federal control of local affairs to wax enthusiastic over the idea of forming new ties with Washington. However, in every case where his recommendations have a New Deal flavor, he has watered it down to make it more palatable. For instance, in the case of a regional development corporation he recommends not a Federal agency but enabling legislation for formation of such a corporation locally; he does not ask direct subsidies for the fishing industry but technical research such as the Department of Agriculture gives to farmers in large measure.

Whether or not we can agree with all of Senator KENNEDY's program—and it deserves considerable study, since it has much meat in it—he earns our respect for the exhaustive study of New England's problems which he and his staff have made, and the completeness of the program he is working for. We expect to hear more of the junior Senator from Massachusetts.

[From the Bridgeport (Conn.) Post of May 20, 1953]

CHAMPION OF NEW ENGLAND

Senator JOHN F. KENNEDY, Democrat, of Massachusetts, has given the first of three talks in the Senate on 40 proposed legislative steps to help cure industrial, business, and employment ills of New England. And these 40 proposals for our 6 States, he hopes, will also aid the Nation.

Economic unification is his aim, and we hope he can point the way to this great achievement without too much intervention on the part of the Federal Government.

Many studies and surveys have been made in regard to the New England economy. Cabinet members in the last administration assured us they had all the answers. We hope Senator KENNEDY comes up with something more practical. He at least is a New Englander, and knows the problems first hand.

He pointed out that New England accounts for more than 20 percent of the Nation's textile manufactures, better than 50 percent of textile machinery manufacturing, and about 50 percent of the production of nails, typewriters, lathes, saws, bearings, etc., and a large percentage of electrical appliances, aircraft and their engines, tools, shoes, rubber, hardware, and scores of other important items.

The Senator wants to protect this. He is not opposed to the South getting its share of American industry and business, but he still wants New England to retain what it has and to expand. Mr. KENNEDY also feels that New England "can no longer pour tax funds into the economic development of other regions without receiving some fair consideration of its own problems from Congress. In recent years, New England has contributed far more funds to the Federal Government than have been returned in Government services or expenditures." He has something there.

Briefly, his first address called for:

Establishment of regional industrial development corporations; tax amortization incentives; stepped-up job retraining; aids to small business; fullest investigation of natural resources, development of hydroelectric power, flood control and prevention of water pollution; continuation of appropriations for surveying land and water resources; Connecticut river flood control; aid to fishing industry; intensive study of the Passamaquoddy project (Maine); and immediate construction of the St. Lawrence power project.

He seems to have produced a comprehensive study of most of our problems, and by the time he has finished his addresses to the Senate, he may at least point to a pathway which will lead to more prosperity for the area.

Some of his steps are highly controversial. Some of the program will be seen as New Dealish. But it at least reveals that this United States Senator is ready to wage a legislative fight for the interests of the region of which his State is a part. Unquestionably New England needs more champions in the national legislature.

[From the Woburn (Mass.) Times of May 19, 1953]

SENATOR JOHN F. KENNEDY OF MASSACHUSETTS

The initial clarion call for the protection of New England industry was launched yesterday in the history-making step taken by Senator JOHN F. KENNEDY, of Massachusetts, in the 2-hour speech on the floor of the United States Senate. Senator KENNEDY plans two more such speeches in which he will complete his economic digest which he and his researchers have promulgated after lengthy study.

Senator KENNEDY does not plan a New England bloc to force recognition in the National Capital, but stated in his opening that he wanted to discuss the "economic problems of New England and the role of the Federal Government in the solution of such problems." He said: "I want to make it clear from the outset, however, that neither the problems which I shall discuss nor the congressional measures which I shall propose are peculiar in their application to New England economy." He added that serious labor surpluses not only exist in Lawrence and Lowell, Mass., but they also impair the prosperity of dozens of other areas, such as Tacoma, Wash., West Frankford, Ill., Durham, N. C., and he named a score of other sections.

In the 159 page book assembled by Senator KENNEDY, who forwarded a copy to the Woburn Daily Times, he treated the economic illnesses of New England which are also general in other sections, and the treatment of them, in some cases calling for the application of legislation already enacted will or should erase partisan lines in New England, noted in industrial history for its rugged individualism.

Senator KENNEDY treats such subjects as job retaining, analyzes parts of the Taft-Hartley Act which are detrimental to New England's interest and beneficial to the South in luring our textile industries to that section, and calls for a modification on these inequities. He calls for a minimum of $1 an hour wage in these industries south of the Mason and Dixon line as well as in Massachusetts, and he points to the 80th Congress action which made millions available for the fight against water supply pollution, asserting that New England could use its share of these available funds for the sewerage disposal in areas where the water supplies are either polluted or threatened by the lack of sewerage.

The New England treatise is a masterpiece of study analysis, and justifiable demand for proper distribution of the Government expenditures to harrassed areas. The youthful Senator not only amazed his colleagues on the floor of the Senate but arched the eyebrows of political editorial writers and columnists with his straight-forward and thorough treatment of a subject which is bound to have some results. The document he has prepared if commercialized, should be New England's best seller.

[From the Portland, Maine, Press-Herald of May 20, 1953]

KENNEDY WOULD HELP NEW ENGLAND TO PROSPER

Old age can mean death, or it can mean strength and maturity. While the vitality of New England, a venerable elder among America's regional civilizations, is believed by some to have hit its peak and started a tumble to the grave, others refuse to give up. Others predict a new lease on life for the aging patient if treated with care and wisdom.

Senator JOHN KENNEDY must be listed among the hopeful; more than that, he must be listed among those willing to give his time and energy to reach an intelligent diagnosis before prescribing a remedy.

During the young Senator's 5 short months in Washington he has been busily studying his region, examining its economic life and worrying about the future. The results of his findings and the pattern of his proposals are being outlined in three speeches, the first delivered Monday, the second scheduled for today, the last one next Monday.

In his first chapter he proposed regional industrial development corporations to encourage business activity, revision of income tax laws to stimulate industrial growth, a job-retraining program to stem the flow of workers from unemployment areas, and the development of the area's power potential.

Senator KENNEDY's approach cannot be appraised until the second and third chapters are revealed, but he made it clear in his first speech that his program, while based on New England's problems, related in general to the national picture. He further stated that he would suggest 40 legislative steps to implement his plan, legislation he insists would be as important for the rest of the Nation as for New England.

KENNEDY was wise, when he started his project, to include all six New England States, not just Massachusetts, and certainly he is wise now to promote his ideas as something of national significance, not purely a regional development scheme.

His strategy should pay off when he presents his 40 legislative proposals to his colleagues in Washington. He has done his best to eliminate antagonism from other New England Congressmen, to enlist support from the rest of the Nation. Whether or not all his proposals prove of a practical nature, New England should applaud him for his devotion to the region's future, his painstaking research in staking out a course of action, his shrewd political maneuvering in seeking a fair hearing.

[From the Boston (Mass.) Record of May 20, 1953]

KENNEDY PAVES WAY

It is heartening and inspiring to find an outstanding member of the New England congressional delegation taking the floor of the United States Senate and demanding fair treatment for our six-State area.

Not everyone will agree with Senator JOHN F. KENNEDY.

There are bound to be many who will suggest different ways to cure the business, industrial, and employment ills of this section.

But that is not the important point, and the person who allows himself to be confused by technicalities misses the Senator's purpose.

The important point is that our own Commonwealth of Massachusetts contributed the tremendous sum of $1,838,000,000 to the Federal Government last year and received only the relatively scant sum of $70 million from the Federal Government.

These figures are not the Senator's. They are the Massachusetts Federation of Taxpayers' Association's. And one does not have to be an Einstein to see that Massachusetts, like the rest of New England, has been compelled by unfair laws to drain its own resources for the benefit of the rest of the Nation.

Furthermore, it would have been impossible for the Federal Government to siphon away the resources of Massachusetts and New England in this manner if our own congressional delegation had not been lax and apathetic on many occasions when it should have taken the stand which Senator KENNEDY took in his first major speech in the upper branch of the national legislature.

New England is a comparatively small part of the United States, as we have said at least a thousand times in the past 20 years. The combined area of our six States is much smaller than many single States in the West. It is not much larger than a Texas county.

So it is only a matter of obvious commonsense that our own self-interest requires us to to work together in the closest possible harmony and to avoid all temptation to engage in cut-throat competition.

When Massachusetts prospers the whole New England area shares the increase in industrial and employment activity. If Maine undertakes a major improvement, some good is bound to come across the State border into New Hampshire and Massachusetts. Any program that lifts the standard of living in Vermont cannot fail to be beneficial to New Hampshire and Connecticut.

All this was ordained by geography long before there were any States or any country.

It is truthful and realistic consequently to say that Senator KENNEDY is only looking at the situation as it exists and encouraging everybody else in New England, and especially the members of the New England congressional delegation to be equally factual and practical.

We profoundly hope that all our Congressmen and Senators can be induced to give similar speeches in Washington and thus make it plain to their law-maker colleagues that New England has abandoned the role of Santa Claus and intends, from now on, to get a square deal from Uncle Sam.

[From the Worcester (Mass.) Gazette of May 19, 1953]

MR. KENNEDY REPORTS ON NEW ENGLAND

In the first of three congressional speeches on the subject, Senator JOHN F. KENNEDY yesterday began his outline of a program of legislation and legislative action for improving New England's economy.

Some of the ideas are excellent. Others have less merit. Bu the important feature of the Senator's effort is that it brings together, in one package, so much of the information and so many of the suggestions developed piecemeal in the dozens of surveys that have embraced this field.

The Kennedy formula stresses the need for more financial assistance to New England's small business. The proposal is made for permitting industries in surplus-labor areas to take advantage of faster tax write-off, an idea that has gained considerable popularity in Washington during recent weeks.

Mr. KENNEDY's program includes Federal assistance for training New Englanders in the special skills needed in a greater industrial diversity.

Old suggestions for hydroelectric development are revived—although nothing is said, surprisingly enough, of the more promising possibility of cheaper electric power from atomic reactors.

The Senator very correctly points to the gains New England might make through better control of stream pollution; and he proposes assistance to the area's fishing industry, long neglected, he says, by the Federal Government.

As the Massachusetts legislator develops his theme in speeches to be given on Wednesday and next Monday, he will doubtless add many more specific items to his list, and we shall await them with interest.

There is not likely to be any widespread agreement on the whole program, and it may need to be tailored before it meets the satisfaction of the New England group in Congress, which Mr. KENNEDY believes should join ranks on regional questions. But this is a forthright start, in any event.

[From the Watertown (N. Y.) Times of May 20, 1953]

MR. KENNEDY AND NEW ENGLAND

The junior Senator from Massachusetts JOHN F. KENNEDY has, in what amounts to his first major speech before the Senate, outlined a program for the economic rehabilitation of New England. He outlines 40 points in all and if his analysis is as valid as it is thorough, it is a remarkable program indeed.

Mr. KENNEDY refers at considerable length to the impairment of New England's status as the Nation's workshop. This has come about through a gradual drift of industry, principally in the textile field away from New England and into the South.

He says he does not ask for New England anything that would militate against the national needs or discriminate against any other region, but he adds that the Nation "cannot afford to ignore the economic problems of an area so vital to our national prosperity and well-being."

One of the main points of Mr. KENNEDY's thesis is that New England's waterpower resources must be fully developed, and, among other things, he calls for new emphasis on the New England-New York interagency committee program. This committee was established under the Truman administration and, as far as we can find out, it has been all but deactivated since President Eisenhower took over.

In connection with waterpower Mr. KENNEDY urges immediate construction of the St. Lawrence project, and he asks also that intensive restudy be given the Passamaquoddy plan under which the immense tides of the Bay of Fundy would be harnessed.

Mr. KENNEDY stresses that the maximum of local control be exercised in any program that might be set up to benefit New England. Federal intervention to some degree would be inevitable, of course, since the concern is a 6-State region.

The proposals of the junior Senator from Massachusetts, a Democrat, are all-inclusive. How the Eisenhower administration and Congress will receive them remains to be seen.

But the Senator's premise is correct—New England is relatively depressed and the economic plight of so large a region is a matter for national attention.

[From the North Adams (Mass.) Transcript of May 25, 1953]

SENATOR KENNEDY HAS PICKED UP THE BALL

(By Dudley Harmon)

New Englander of the week is, unquestionably, young, personable JOHN F. KENNEDY, who last November won the Senate seat of Republican Henry Cabot Lodge.

Mr. KENNEDY based his campaign on the need for something to be done in Washington to aid industry in Massachusetts. He toured the industrial centers, talked with managers and workers, and hired the services of industrial engineers. Since taking his seat in the Senate he has continued his studies with professional assistance.

Now, as a freshman Senator, he has broken precedent and in a big way. In three 2-hour speeches on the Senate floor he has presented a comprehensive review of the economic maladjustments of New England, accompanied by specific proposals for their remedy and relief.

In the Nation's greatest public forum he has presented New England as a problem area, as F. D. R. once termed the now booming South. Furthermore, he is calling on Congress to act, by preparing some thirty-odd bills to implement his suggestions.

Few will deny that in this undertaking KENNEDY has rendered distinguished service to New England, much as we dislike to have our troubles so effectively publicized. With the aid of his personal research staff, KENNEDY has operated as a one-man committee of New England. He has anticipated by several months the forthcoming report on the New England economy by the group of New Englanders actually bearing that designation.

The question now is: What will Congress and New England do about the Senator's report and recommendations? Will they be ignored, as has been the case with many earlier reports about New England's economic problems and needs?

This column has 2 suggestions for getting the answers to these questions. The first is that the Senator immediately give a summary of his legislative program to each of the other 39 members of the New England delegation in Congress. This should be done before he files a flock of bills, each bearing his name as sole sponsor. He will then be in position to invite all other members of the delegation—Republicans and Democrats alike—to join with him in sponsoring bills in support of those of his proposed measures of which they individually approve.

Such a procedure would put his program on a nonpartisan basis. It would demonstrate the Senator's sincerity of purpose. It would also give the Members of the majority party an opportunity to prove theirs and insure consideration of the Kennedy proposals on their merits, in relation to the best interests of New England. Otherwise, so intense is the partisan spirit, that bills sponsored only by KENNEDY the Democrat may get short shrift at the hands of Republicans. Something of this spirit is already apparent in New England comment on the proposals contained in the first 2 installments of his program.

One of KENNEDY's most important suggestions is that the New England delegation in Congress organize itself to do a better job for New England. This has long been needed, not necessarily for aggressive action, but in defense of New England against State and area groups representing the South and West. By meeting together, members of the delegation could quickly discover which one of the Kennedy proposals have the approval of a majority or more. Thus, a positive New England program would be formulated, and assured of strong support.

The second suggestion relates to the people back home. Through the newspapers they have had opportunity to appraise the Kennedy program. They should encourage discussion of its numerous proposals, to the end that not only their author, but other members of Congress shall learn, as promptly as possible, the views of their constituents.

A few weeks ago the New England council and several chambers of commerce polled their members on 11 national issues pending in Congress. What could be more appropriate than that they now conduct polls on KENNEDY's congressional program for New England? State and local manufacturers' associations, statewide labor federations, and councils might well do the same. We have here a rare opportunity for business leadership in New England to prove itself.

Some, perhaps many, of the KENNEDY proposals will not command the approval of the New England business community. This will especially be the case in reference to his ideas about greater participation of the Federal Government in the development of our natural resources, such as water power. His proposal for a system of industrial development corporations in each Federal Reserve district will also draw fire, although a New England Republican, Senator FLANDERS, of Vermont, has just introduced a bill of similar import.

Many of KENNEDY's proposals are not new. Some of them were contained in the report on New England prepared for the President's Council of Economic Advisers by a group of New England economists. The point here is, however, that KENNEDY is the first man to propose that something be done to give effect to these recommendations, submitted 2 years ago. The Senator has not only picked up the ball. He intends to run with it.

[From the Greenfield (Mass.) Recorder-Gazette of May 20, 1953]

THE KENNEDY PLAN

The Bay State's youthful Senator JOHN J. KENNEDY has its interests at heart, but he faces stubborn opposition from his compatriots as well as from many New England industrialists despite the fact his five-point program placed before Congress this week is directed toward the growth and expansion of New England economy.

His plan will be opposed because for the most part it gives the Federal Government too much power over the region. In other words, it puts Uncle Sam's thumb into the pie which New Englanders have been trying to restore to the six-State area.

Senator KENNEDY is an ambitious young man, nevertheless, and his initial speech is to be followed by two more on May 20 and 25, dealing with labor problems and transportation costs. His first was a challenge to New England to forget its pride and independence and to turn to the Federal Government for help in its hour of need.

The program, however, does not involve vast Federal monetary grants, but legislative aid for federally sponsored regional industrial development corporations to promote expansion and diversification of industry, Federal loans to promote and encourage the growth of small business, tax amortization incentives to stimulate commercial and industrial activity, Federal development of water and other natural resources in the form of hydroelectric plants, flood-control projects and the prevention of water pollution and aid in the fishing industry through the transfer of a fair share of import duty revenues for fishery research and market development.

The Kennedy program thus far has some striking qualities, but the Senator has shown a surprising lack of understanding of the people he represents. His proposals include some highly controversial politics and some which cross traditional opposition to Federal intervention. Perhaps he will convince others of the logic of his proposals, but it is obvious that he faces a struggle which no other in his shoes has been able to overcome.

Thus far KENNEDY has spoken only in his own behalf, but he has invited the cooperation of the New England delegation in promoting his plan, which would be launched by establishing regional industrial corporations to provide technical and other assistance in stimulating new industries.

Surely New England needs attention, not only from within but from the outside, which of course must involve Federal legislation. Of all the points Senator KENNEDY has raised, that relating to tax amortization incentives promises the most appeal at this time. Much of the loss of New England manufacturing has been due to attractive tax and labor conditions in the South.

Of local interest is the Connecticut River flood-control project for which KENNEDY proposes continued Federal appropriations. For this and his other projects he soon will introduce legislation. The Senator has launched a drive worthy of serious consideration and the cooperation of not only New Englanders but others with a take in keeping this area on a par with other parts of the Nation.

[From the Holyoke (Mass.) Transcript of May 15, 1953]

MASSACHUSETTS: THERE SHE MAY COME

For a considerable time they have known in Washington and in our Massachusetts industrial centers, that Senator JOHN F. KENNEDY was going to present a program to bring cheer to New England—Mr. KENNEDY will start on Monday a 3 days' or rather a three speeches' presentation of the problems that are known to all of us.

For the past few years our industries have been closing their doors and going into other States where there are more favoring conditions—lower taxes, both local and State—fairer working conditions. Also, costs production have been mounting. We have not used our great Port of Boston to its greatest powers.

We have had some betterments in transportation. The New Haven railroad has been set up by the Dumaine leadership so that it has brought advantages. The picture there is so distressing to New York interests that they have tried to wrest them from us.

Our cross State highways are still inadequate although much money has gone into them. Our mill buildings are old.

Our labor situation is not discouraging. In fact the action of the textile unions is making it possible for some of our industries to have new faiths.

Here in Holyoke we may be understanding that there is a new Mackintosh mill in Clover, N. C., and that the American Thread workers are now buying their groceries and supporting their churches in Connecticut.

Acting Mayor Doherty gave a discouraging picture of passing industries in Washington the other day. But President Barrett of the Holyoke Water Power Co. can tell of new coming industries, too. It is not all on the darker side.

Senator KENNEDY has been working on this New England picture for many months. He had it in mind as he campaigned up and down and across the State last year. Now he has his program and that's more than most of the propositions presented to the Senate have back of them. Mr. KENNEDY says that he and his staff have been engaged in intensive research on the economic problems of Massachusetts and New England since the Senate convened and that while Federal support is needed that is not enough and unnecessary Federal expenditures only serve to increase our problems. We in Holyoke will be following the Kennedy speeches with the understanding that they are addressed to us personally.

On the eve of the Kennedy speeches Governor Herter has offered his plan to finance small businesses. He would set up a $20 million Massachusetts Development Corp. It would be something like the Maine State plan which had drawn many small industries from Massachusetts including some from Holyoke.

The fund will be privately established, but it must have State permission.

It will be recalled that the late Nathan P. Avery had such a fund set up for Holyoke, the big fellows did not go into it and although it had chamber of commerce favor it was not developed. But Governor Herter has 60 topflight bankers, business, and industrial leaders of the Commonwealth in his immediate support.

Here we have the proof that our political leadership is daring new patterns, inclusive enough to reach the whole State. There will be careful study of what Governor Herter and Senator KENNEDY are offering.

In fact just today there is rising spirit, and readiness to venture, that can become a challenge of "Massachusetts: there she comes."

We can start by receiving proposed patterns with the favor of careful study and as much appreciation as this great State can find for them.

[From the Hyannis (Mass.) Cape Cod Standard Times of May 20, 1953]

DEVELOPMENT PLANS

Governor Herter in Boston and Senator KENNEDY in Washington have turned the spotlight of their favor on business development corporations.

Governor Herter's plan calls for a corporation, privately financed, aimed at attracting new industries to the State, rehabilitating and expanding existing companies and establishing a source of credit not otherwise readily available for economic development.

Senator KENNEDY, discussing New England's economic problems in the Senate of the United States, said that he is introducing legislation that would enable the establishment of regional industrial development corporations, seeing in them a way toward revitalizing business.

Federal enabling legislation, Senator KENNEDY said, is necessary primarily only to define the role of the Federal Reserve banks in connection with the corporations and to establish conditions for tax exemptions; in all other respects, he told his colleagues, such a project would be local in its entirety.

Development corporations are not new.

They date back to the years immediately following World War I.

Their early growth was not spectacular and their greatest impetus has come in the last half decade or so.

That they have a mission—and that they accomplish their mission—are borne attest by their expansion.

There are communities like the Cape that want to expand industrially to balance or diversify their economy. Quite frequently, regular channels are closed to them. They must have, among other things, risk capital. They must demonstrate that a favorable attitude toward new industry exists.

Many a small community has demonstrated that the development corporation is a means toward that successful end. It's not the whole story; it's not a panacea, but it's good to learn that Governor Herter and Senator KENNEDY are intent on putting modern methods to work.

[From the Boston Daily Globe of May 19, 1953]

SENATOR KENNEDY'S PLANS FOR NEW ENGLAND

(By John Harriman)

Many studies have been made of the New England economy. We have been examined and analyzed by experts. Economically speaking, we know what makes us tick.

Yesterday in the Senate, JOHN F. KENNEDY delivered the first of three speeches which will sum up what the experts have discovered about us—and outline a legislative program aimed at solving our problems.

The subject of yesterday's speech was industrial diversification and expansion. The problem of bolstering existing industry and relieving economic hardship will be treated in two further speeches within the week.

A FEDERAL RESERVE FOR DEVELOPMENT

The most interesting of Senator KENNEDY's suggestions to expand and diversify industry is his plan for regional industrial development corporations.

He would see these corporations established by Federal charter in any region desiring them. They would be formed by the regional Federal Reserve bank, which would then sell the stock in the corporations to banks and other financial institutions in the area. Stock could also be bought by various State development agencies—such as the one Governor Herter is backing in this State.

Thus these federally established regional agencies which the Senator has in mind would be privately owned within the region they serve, and would not represent a large expansion of the Federal Government into the local picture.

Once set up, these regional agencies would act as clearinghouse (and possibly as banker) to all agencies and organizations working for local development and diversification.

They would, in a sense, act as a sort of Federal Reserve to State and local development agencies.

They might also, according to Mr. KENNEDY, make loans or grants to their local members, and they might insure or guarantee loans made either by these members or, in certain instances, by local commercial banks.

WRITEOFFS, JOB RETAINING, AND QUODDY

Other measures urged to benefit New England in the Senator's speech yesterday include:

257478—46779

Quick tax writeoffs which would encourage industrial expansion in areas suffering from unemployment.

Job retraining to aid workers to shift to new industries.

Financial and credit aid to small business.

Mr. KENNEDY also outlined a program for development of our natural resources—water and power, including a study of the tidal power at Passamaquoddy, and a demand that we get our share of any power to be generated on the St. Lawrence; and he has plans for the fishing industry, which today is in much need of some sort of aid.

All in all, the Senator appears to have thoroughly digested what has come to be called the New England problem, and then gone on to evolve an impressive program aimed at solution.

Business interests may not approve of certain parts of this program and labor may not approve of other parts. That, of course, is to be expected; a program to please everyone on all counts would be so innocuous as to be valueless.

What Mr. KENNEDY has done is to outline broadly a path which can be more closely defined by future compromise and agreement. It is a path which could lead us to easier and more prosperous days.

U. S. GOVERNMENT PRINTING OFFICE: 1953

"WHICH WAY FOR INDUSTRY -- NORTH OR SOUTH?"
"America's Town Meeting of the Air" May 25, 1954 - Jacksonville, Florida

Background Questions

1. Is there a trend of industrial migration from the North to the South? If so, what industries are primarily involved?

   a. Has this been a fairly recent economic development? Or, has it been going on for many years?

   b. Have whole industries just packed up and moved? Or, do firms start the shift by opening plants in both the North and South and gradually abandoning their Northern operations as their Southern plants prosper?

2. Evaluate the famous Hatters' strike in South Norwalk, Connecticut. Is the battle over "the runaway shop" realistic?

   a. Was the union justified in demanding a 3-year guarantee that the company would not wipe out the jobs of any of its South Norwalk employees by moving its operation South or West?

   b. Would it be possible for a united effort of labor and management to overcome those elements of costs which lure concerns to relatively undeveloped areas?

   c. If the Hatters' strike does not represent a sound economic approach to the problem, is it at least indicative of the tremendous social hardship and unrest caused by industrial migration?

3. What basic reasons are there for a southward trend of industry?

   a. Is it true that many Northern areas (e.g. New England) are entering a normal stage of economic maturity or decline?

   b. Is it true that the South, once referred to as the nation's "No. 1 economic problem", has now become the nation's "No. 1 opportunity"?

   c. To what extent is any southward trend of industry the result of natural advantages possessed by the South? Or -- normal economic processes and competition?

   d. To what extent has industrial migration taken place for causes other than normal competition and natural advantages?

   e. Has Gov't intervention or the influence of federal programs played any part in creating, accelerating or retarding this trend?

4. Senator John Kennedy of Mass. recently expressed particular concern about the cost differential which he claims is caused in part by unfair or substandard practices and conditions. Do you agree?

5. Evaluate the following unfair practices he cites - - - -

   substandard wages

   low and inadequate pensions and fringe benefits

   inadequate Federal standards for social security and unemployment compensation

   disproportionate grants of federal tax amortization benefits to Southern plants

   discrimination of federal transportation rates against New England

6. Evaluate Sen. Kennedy's charge that the "most obviously unfair inducements offered to those considering migration is the tax-free plant built by a Southern community with the proceeds of federally tax exempt municipal bonds."

7. The Senator also claims that "In the South unionization of competing plants has been virtually halted since enactment of the Taft-Hartley law." Do you agree? Foloney

8. Will artificial or substandard inducements to industrial migration harm the South more than it helps it? Will it tend to bring weak industries and hit-and-miss industrial development?

9. Prof. Seymour E. Harris, economist, recently stated that in a dynamic economy "some regions are bound to grow more rapidly than others, and in the process to capture some of the industries of the older regions." Do you agree? Is this trend an inevitable process?

10. He stated further that "all that the older regions can ask is that the transition be eased as much as possible; and above all that they should not be made more difficult." Do you agree?

11. Have the war and large military and other Gov't outlays obscured the extent of the adjustment problem facing both North and South?

12. Evaluate Pres. Eisenhower's memorandum of December 29, 1953 which provided -

    A "set aside" of 20 to 30 percent of the defense materials purchased to "surplus labor" communities able to "meet the prices established through the competitive buying procedure"

    An information program to keep concerns in surplus labor areas fully informed on defense contract opportunities.

    Provisions for award of any contracts to companies in economically depressed areas in event of tie bids or offers from concerns outside the "set aside" classifications.

    "Technical help to areas attempting to attract new industries."

    Easier write-off provisions for capital investment relating to defense production.

    Encouragement of prime contractors to sub-contract to concerns in areas of large unemployment.

13. Is Sen. Maybank correct in stating that implementation of this policy would make a mockery out of the competitive bidding system?

14. Is Sen. Saltonstall correct in saying that the new policy does not go far enough in diverting orders to distressed areas?

15. What other action can the federal government take to alleviate economic distress due to the migration of industry?

    a. Can the federal government aid expansion and diversification of industry in older areas to replace industries lost through migration?

    b. What types of loans and assistance can be granted - especially to small businesses?

    c. Should the federal gov't assume responsibility for retraining unemployed industrial workers?

    d. Can the federal gov't help in the development of natural resources?

    e. Should provisions for tax amortization benefits for industries expanding in areas of chronic unemployment be more lenient? Can tax loopholes be closed to give equal advantages to all regions?

    f. Should increased security for jobless and aged who are victims of industrial dislocation be granted?

16. Gov. Lodge of Conn. recently commented "the manufacturer who moves from New England or from anywhere in the Northeast into a less developed region with the thought of obtaining lower labor costs.....finds that it is not long before competition raises the cost of living in the new community so that his new workers will need wage scales comparable to those now enjoyed by the labor of this area." Do you agree with this evaluation?

    a. Will interregional cost differences tend to work themselves out in the long run?

    b. Are full employment, a deversified economy, etc. for the nation as a whole, necessarily incompatible with the economic health of any one of its regions?

17 May 1954

CORPS OF ENGINEERS

CIVIL FUNCTIONS APPROPRIATIONS FOR CONSTRUCTION BY STATES FISCAL YEARS 1946--1954 (INCLUSIVE)

State	Appropriations F.Y. 1946-1954
Alaska	$ 4,379,400
Alabama	29,407,000
Arizona	771,000
Arkansas	116,638,000
California	232,398,600
Colorado	18,722,000
Connecticut	13,799,700
Delaware	1,085,000
District of Columbia	791,000
Florida	50,317,900
Georgia	97,825,700
Hawaii	--
Idaho	44,322,000
Illinois	96,989,200
Indiana	21,985,000
Iowa	32,422,200
Kansas	64,950,300
Kentucky	137,516,000
Louisiana	44,669,000
Maine	1,735,000
Maryland	10,484,900
Massachusetts	11,342,500
Michigan	17,240,200
Minnesota	17,679,200
Mississippi	5,522,300
Missouri	99,435,400
Montana	12,517,500
Nebraska	77,085,300
Nevada	--
New Hampshire	2,536,000
New Jersey	13,337,800
New Mexico	4,978,000
New York	82,624,700
North Carolina	45,429,500
North Dakota	217,680,000
Ohio	59,323,500
Oklahoma	100,444,000
Oregon	321,979,200
Pennsylvania	108,061,800
Puerto Rico	--

State	Appropriations F.Y. 1946-1954
Rhode Island	513,500
South Carolina	41,844,600
South Dakota	190,707,000
Tennessee	81,033,000
Texas	180,347,300
Utah	708,000
Vermont	4,324,000
Virginia	66,211,100
Washington	241,281,500
West Virginia	37,150,200
Wisconsin	148,600
Wyoming	--
TOTAL	$3,062,694,600

Note: In addition to the above, $371,391,000 has been appropriated for construction of the project, Mississippi River and Tributaries located in Missouri, Illinois, Kentucky, Arkansas, Tennessee, Mississippi, and Louisiana. A breakdown by states is not readily available.

Should Industry Move South?

By JOHN O. TOMB

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From *In This Issue*

John O. Tomb

When, a short while ago, one of its clients in the North was considering whether or not to move south, McKinsey & Company, Management Consultants, assigned John O. Tomb, one of its associates, to study the pros and cons of the proposed move. Mr. Tomb's findings were a surprise to him personally as well as to many other people: (1) In some localities the traditional North-South cost differentials were narrowing fast, and in others they had even disappeared; (2) some of the advantages usually cited were due not to the change in location but to better management, improved product lines, and so on; (3) the expenses of relocating were much more difficult to recoup than usually realized.

Following his report to the client, Mr. Tomb decided to explore the subject further because of the wide public interest in it. He continued his talks with people who had done other plant relocation studies, with business executives of companies having northern and southern plants, with tax specialists, labor leaders, economists, and bankers. He checked more literature and statistics. Now he answers his own question, *Should Industry Move South?* with a series of further, more searching questions, applicable to relocation in any section of the country.

Mr. Tomb is in the Chicago office of McKinsey & Company. He was formerly associated with the firm's Boston office and, before that, with a New York manufacturer as Secretary-Treasurer.

Should Industry Move South?

. . . This article is the outgrowth of a location study made for a northern manufacturer. Initial thinking corresponded to the popular notion that operating costs would be lower in the South. But as facts accumulated, a number of surprises developed.

By John O. Tomb

The grass on the other side of the fence looks exceedingly green to many a manufacturer as he watches the ascending curve on the cost chart and mails another check to the tax collector. Why not, he asks himself, move to a more advantageous location. This usually means moving South; for in recent years that has been the trend, and in many cases with good reason. So let us be specific, even though the basic question and the conclusions to be drawn are much broader.

Perhaps the executive has seen figures indicating that labor is cheaper in the South. Climatic conditions there are supposed to permit more simple and less expensive construction. Then there is the element of taxes, both state and local, which supposedly favor industry there. Power costs may be cheaper, too. Sometimes raw materials are more readily available. And frequently a municipal development corporation will float tax-free issues to finance the cost of facilities needed. In other words, it looks as though a move south would soon be paid for and profit margins increased.

But almost every executive faced with the question of moving south — or anywhere else — requires more than generalities like the above. He needs to know what relocation would mean to his company in terms of actual dollar profits. Very few manufacturers are fortunate enough to have similar northern and southern operations which permit the development of comparative cost data. Usually a manufacturer faced with the relocation question winds up by trying to synthesize costs at one or more prospective locations.

Whether direct cost comparisons or synthetic data are used, the approach needs to be more than historical. It is necessary to project current costs and trends into the future, not only for alternative locations, in the South and elsewhere in the North, but also for the present location. Executives who go to the expense, often more substantial than they realize, of uprooting and of transplanting existing organizations without fully appraising future conditions may be in for a rude awakening.

Plant relocation is no longer the open-and-shut case which many people have assumed it to be. Management may find, after careful study, that this particular city or that particular town offers real cost advantages. And it may well be true that the number of advantageous locations that can be thus pinpointed is still greater in the South than in the North. As a *section*, however, the South no longer offers a *guarantee* of lower costs than the North. In the many localities of the South where costs are close to or on a par with costs in many northern cities, it has become increasingly difficult to recoup the substantial outlay which is involved in a relocation program.

In this article I want to explore the factors that management should appraise in considering relocation in the South. I shall focus particularly on the factors involving cost, such as labor rates, taxes, and capital expenses, because the usual purpose of relocation is to lower operating costs for the existing volume of production. There may, of course, be secondary objectives in relocation — for example, to expand operations, serve the market more effectively, or tap new sources of materials. These are more likely to be of importance in locating a new plant, however, and have already been examined competently in connection with that subject.[1]

Labor Costs

In many cases the prospect of lower labor costs alone has dominated and determined decisions to move south. There is no denying, either, that manufacturers who capitalized in years past upon the economic immaturity of the South profited handsomely.

Today, however, the economy of the South is expanding rapidly. For example, the sales of goods manufactured in the 12 southeastern states rose 115% from 1939 to 1951 compared with a nationwide increase of only 86%. During the same period construction in the South increased by 268%, while the national average rose but 183%. And as much as 80% of the scheduled expansion of the pulp and paper industry and 50% of the scheduled expansion of the chemical industry are centered in the South.[2]

As a result, the South's once plentiful supply of labor is diminishing. Increasing competition in the labor market, in turn, is being reflected in higher pay rates, lower productivity, and added fringe benefits, among other things. Relative North-South positions in regard to these factors can be reversed or altered very quickly, even within a year's time; some have been already. For example:

(1) When, a few years ago, a large textile machinery manufacturer faced the problem of rebuilding its plants in their present northern location or relocating them in the South, the South was favored with a wage differential of "about 10%." After a detailed study, however, the company concluded that it should not assume that any substantial differential in wages would continue to exist for more than five years after a plant had been established in the South.

This viewpoint has been confirmed more recently by executives of companies with northern and southern operations. In general, they visualize a steady narrowing of wage differentials. More than one such organization has backed up the opinions of its executives by making substantial investments in the modernization of northern properties in the past few years.

(2) The more recent experience of a soft-goods manufacturer tends to confirm this conclusion. The labor-cost differentials between northern and southern operations of this company were so big that the profit margin of its southern plants was nearly twice that of the northern plants. These differentials were due in part to the fact that one substantial element of labor cost in the South was only one-half the corresponding northern cost. At least, that was the case up through 1951. By 1953, however, the change in the labor climate had caused the difference in this element of labor cost to *disappear entirely*.

(3) A recent study for a manufacturing concern with northern and southern mills revealed that 50% of the indirect personnel in the southern plants received *higher* pay than their counterparts in the northern mills. (The indirect personnel included supervisors and clerical and technical employees in service departments.) The differentials by which southern rates exceeded the northern were sizable; some approached 20%.

This condition is not unique. Higher rates of pay in the South have characterized more than one category of skilled workers.[3] Since in many organizations these workers (often classified as indirect personnel) account for a substantial portion of total payroll, wage comparisons based only upon the pay levels of direct workers can be dangerously misleading. In fact, because the differences in wage scales of high-paid and low-paid workers are greater in the South than elsewhere, it is not safe to use generalizations favorable or unfavorable to the South based upon figures for *any one* category of workers. Thus, 10 southern cities selected for study by the Bureau of Labor Statistics show pay levels for unskilled janitor, shipping, and warehouse jobs ranging from 60% to 78% (New York City = 100%), which is the lowest for any geographic section; but the levels for skilled maintenance jobs in the same cities range from 80% to 101%, which is very close to the national figure.[4]

(4) Even in the area of direct labor, traditional concepts of North-South pay differentials may require re-examination. For example, average hourly earnings of production workers in manufacturing industries in Birmingham and Memphis during March 1952 exceeded the pay levels of Manchester, New Hampshire; Portland, Maine; and Lancaster and York, Pennsylvania.[5] The Birmingham and Memphis figures were $1.51 and $1.44 per hour compared with $1.41, $1.34, $1.43, and $1.37 for the respective northern cities. The fact that there are many northern localities with higher pay scales (e.g., Duluth, Minnesota, with $1.70), as well as many southern localities with lower pay scales (e.g., Charleston, South Carolina, with $1.16), is beside the point. What I am trying to bring out is the danger of unquestioningly accepting the concept that locating a plant in the South practically guarantees lower rates of pay than in the North.

Exhibit I. Percentage of Employees under Various Benefit Plans

City	Paid sick leave: Office	Paid sick leave: Plant	Year-end bonus: Office	Year-end bonus: Plant	Health insurance: Office	Health insurance: Plant
Boston	38%	9%	30%	25%	74%	76%
Buffalo	30	8	29	19	65	66
Trenton	30	2	33	28	76	68
Scranton	33	6	48	39	53	66
Richmond	19	6	41	30	43	48
New Orleans	23	12	57	38	39	31
Atlanta	34	19	41	43	48	57
Norfolk	14	9	39	37	65	58

Source: U.S. Bureau of Labor Statistics, *Wages and Related Benefits, 40 Labor Markets, 1951–1952*, Bulletin No. 1113 (Washington, Government Printing Office, 1952), pp. 54, 55, 57.

(5) More and more southern managements now recognize the desirability of liberalizing fringe benefits. Sometimes these concessions are prompted by a desire to avoid unionization. In at least one case, pension benefits "voluntarily" provided in the South by management involve a higher cost than contracts negotiated by the company with labor unions in the North.

This does not appear to be an isolated case. A recent appraisal of fringe-benefit coverage in 20 cities indicates that *some* leading southern communities have approached or even surpassed representative northern localities in the percentage of employees covered by benefit plans. As Exhibit I indicates, this is true of Atlanta, Norfolk, Richmond and New Orleans with respect to bonus payments and paid sick leave for plant employees.

Of course these figures do not show the amount or the cost of fringe-benefit coverage, which is what counts. At the same time they illustrate the fallacy of generalizing that fringe benefits are not a substantial factor in the South. Again, the only safe guide is careful, location-by-location analysis.

(6) More than one labor group has set its sights upon the South as the country's largest single area of potential union members. If organizing drives move into higher gear, it is possible that a period of unfavorable union-management relations could develop. By contrast, many northern areas have passed through the birth pangs of unionization and have now arrived at a more mature basis for collective bargaining negotiations.

(7) Clerical pay rates in some southern communities actually exceed the levels existing in northern cities. Average weekly salaries for clerical jobs in Atlanta, Birmingham, and Houston are higher than those of Boston, Buffalo, or Philadelphia. Exhibit II shows the figures for the insurance carrier industry.

Exhibit II. Average Weekly Earnings of Clerical Workers in the Insurance Carrier Industry

Position	Atlanta 3/52	Birmingham 4/52	Houston 1/52	Boston 4/52	Buffalo 1/52	Philadelphia 10/51
Clerks, Acounting	$45.00	$43.50	$48.50	$43.50	—	$40.50
Clerks, File, Class A	42.00	41.00	—	41.50	—	41.00
Clerks, File, Class B	34.00	34.50	—	34.00	$33.00	33.00
Stenographers, General	44.50	42.00	48.00	40.50	39.50	41.00
Typists, Class B	36.50	37.00	38.50	36.50	33.00	36.00

Source: "Average Weekly Earnings for Selected Occupations in the Insurance Carrier Industry," *Monthly Labor Review*, October 1952, pp. 420–421.

(8) There is also the other side of the labor-cost picture. What is happening to work loads, pay rates, and so forth in the North? The work-load increases and pay cuts resulting from arbitration proceedings in many northern hosiery and textile

[1] For example, see Robert M. Atkins, "A Program for Locating the New Plant," Harvard Business Review, November-December 1952, p. 113; and National Industrial Conference Board, *Techniques of Plant Location*, Studies in Business Policy, No. 61 (New York, 1953).

[2] See William H. Doty, "The Southern Picture," *The Spectator*, August 1952, pp. 44–45.

[3] See Norman J. Samuels, "Patterns of Wage Variations in the United States, 1951–1952," *Personnel*, September 1952, pp. 158–169.

[4] U.S. Bureau of Labor Statistics, *Wage Differentials and Rate Structures among 40 Labor Markets* (Washington, Government Printing Office, June 1953), pp. 3, 5.

[5] "Hours and Gross Earnings of Production Workers in Manufacturing Industries," *Monthly Labor Review*, June 1952, pp. 741–746.

concerns during 1952 have been well publicized. The principal argument for these pay reductions was to lessen the North-South wage differential. In at least one case, work loads were increased by as much as 100%. To be sure, corrections of this sort are happening principally in New England, but then this is the area most often cited when comparisons are made to show the advantages of relocation in the South from a labor-cost viewpoint.

(9) In workmen's compensation costs, the evidence indicates that the gap between many northern and southern states has already been largely closed. The highest cost states, to be sure, seem to be New York, Massachusetts, and New Jersey; yet the heavily industrialized states of Illinois, Michigan, and Indiana are very close to Virginia and Alabama, and as a matter of fact lower than Texas, Missouri, and Maryland; while Pennsylvania has them all beaten. The average rate of cost per $100 of payroll, according to a study published last year,[6] is as follows for 14 states:

New York	$1.505	Maryland	$0.539
Massachusetts	1.103	Illinois	0.482
New Jersey	0.823	Michigan	0.444
Texas	0.778	Indiana	0.433
Wisconsin	0.741	Virginia	0.390
Connecticut	0.720	Alabama	0.356
Missouri	0.624	Pennsylvania	0.320

The narrowness of the gap between the 11 states beginning with New Jersey and ending with Alabama can be seen from the fact that the dollar difference for a $1,000,000 payroll would be only $4,670 annually, or less than ½ of 1%.

However, the cost comparisons above reflect a weighting of 45 classifications, and so they do not necessarily afford a fair picture for any one firm. Moving from any of the northern states on the list to any of the southern states might save either more or less in workmen's compensation costs than the figures indicate.

Summing up, while there are many localities in the South where labor costs are still low compared to the North, the number of such localities is decreasing. Moreover, even where labor costs are low *now*, there is always the possibility to be taken into account that the advantage may be lost by the time a new plant is built or an old one bought and remodeled, for in many areas the cost trend is moving upward.

A short while ago I talked about this plant relocation business to a leading labor union executive who is especially well informed on the subject. His observations were interesting. To begin with, he foresaw (a) a slow but steady rise in southern wage rates because of the competition of nontextile plants which have been opening up in the South and (b) a stabilization, and possibly a decline, in northern wage rates. In addition, he cited many examples to support his belief that northern plants can be as productive as any others, that with good engineering methods and research and development staffs they can meet competition from anyone, including the South.

I think that his second point, as well as his first, was well taken. Some northern companies have run into difficulty not because they are located in the North but, in the final analysis, because they have failed to keep up with competition in the concepts and techniques of modern management. Management's desire in such cases to start over in the South with a clean slate is a laudable one; and, if it follows up with effective new policies, the chances are good that it will succeed where previously it failed — not so much because of the move south as because of the new management approach. And that can work wonders equally well in the North.

Tax Levels

High tax rates, especially in some New England states, have been an often-quoted argument for the relocation of operations. In 1949 the Federal Reserve Bank of Boston questioned 663 New England manufacturers about the advantages and disadvantages of their operations. In listing the advantages and disadvantages of doing business in Massachusetts, most of the Bay State manufacturers regarded state and local taxes as the leading competitive disadvantage.[7] A similar feeling is shared to a lesser but still important extent by some of the manufacturers in other areas of the North.

Income and Property Taxes

Two studies, one made by a southern university and the other by a northern state, indicate that, contrary to popular opinion, southern locations do not always have the advantage of lower income and property taxes:

1. *Comparison of states* — A comprehensive study of the impact of taxation in 19 states was

[6] John L. Train, "Workmen's Compensation Costs and Experience in New York State — A Basic Problem," *The Monitor* (official publication of Associated Industries of New York State, Inc.), October 1952.

[7] Federal Reserve Bank of Boston, "The Comparative Tax Study as a Guide for Corporation Tax Policy: A Massachusetts Experience," *Monthly Review*, December 1951, p. 8.

issued last year by the University of North Carolina.[8] This study analyzed the state and local tax position of specific hosiery and furniture concerns in both urban and rural areas. Unemployment taxes were excluded.

From balance sheet and profit and loss information filed with the State of North Carolina by the hosiery and furniture companies, hypothetical tax bills were developed for 96 localities in 19 states. Computation of local taxes was based upon published tax data supplemented by the assistance of taxing officials. The state tax bills were computed by applying the tax rates of each of the 19 states to the actual balance sheet and income statement of each company.

According to the hypothetical tax bills thus developed for each company at median-tax cities and rural sites, prevailing concepts about relative tax loads are far from correct. (See EXHIBIT III.)

EXHIBIT III. RANK OF STATE AND LOCAL TAX BILLS COMPUTED FOR SELECTED HOSIERY AND FURNITURE CORPORATIONS AT MEDIAN-TAX CITIES

(Lowest tax bill ranked as one)

Rank	Hosiery company	Furniture company
1	Ohio	Ohio
2	Michigan	Kentucky
3	Indiana	Virginia
4	Kentucky	Pennsylvania
5	Louisiana	Michigan
6	New York	New York
7	Tennessee	South Carolina
8	Massachusetts	Alabama
9	Connecticut	Massachusetts
10	New Jersey	Louisiana
11	Alabama	Indiana
12	Pennsylvania	North Carolina
13	Virginia	Tennessee
14	Georgia	Georgia
15	South Carolina	Connecticut
16	North Carolina	Arkansas
17	Illinois	Illinois
18	Arkansas	Mississippi
19	Mississippi	New Jersey

SOURCE: Joe Summers Floyd, Jr., *Effects of Taxation on Industrial Location* (Chapel Hill, The University of North Carolina Press, 1952), p. 80.

Northern states such as Ohio and Michigan appear consistently as *low* tax states, while such southern states as Arkansas, Georgia, and Mississippi turn up as *high* tax areas. Seven of the ten lowest tax states for the hosiery company and five for the furniture company are north of the Mason-Dixon line.

The tax bills ranged from $7,481 to $38,843 for the hosiery company and from $24,165 to $85,548 for the furniture organization. The difference between the low and high tax totals represented 1.56% of sales for the hosiery concern and 1.88% for the furniture company — almost as much as their 1951 median profit margins of only 2.26% and 2.77% respectively.[9] These figures hardly suggest that profit improvement from lower taxes would result from locating *at random* in the South.

2. *Comparison of selected cities* — In 1951 the Massachusetts Commission on Taxation computed the real estate, property, income, and capital

EXHIBIT IV. RELATIVE TAX LOADS FOR SELECTED MANUFACTURING CORPORATIONS OPERATING IN DIFFERENT LOCALITIES

(Massachusetts = 100)

Kind of tax	Philadelphia	South Bend	Buffalo	Charlotte	New Haven	Paterson	Lansing
Real estate	90	43	127	64	95	99	65
Property	90	204	127	182	311	277	296
Income and capital	66	8	54	78	29	4	16
Median	71	80	71	113	104	68	97

SOURCE: Report of the Special Commission on Taxation, Part IV, *The Comparative Impact of Corporate Taxes in Massachusetts*, June 1951, p. 10.

taxes that 20 Bay State manufacturing corporations would have had to pay in 1950 in various northern cities and in Charlotte, North Carolina. (The particular cities studied were chosen because industrial opportunities and conditions in them were deemed comparable to those found in Massachusetts.) The Commission found that three-fourths of the corporations in the sample would face higher tax bills in Charlotte than in Massachusetts, and that the tax load in Charlotte exceeded the estimated tax of Philadelphia, South Bend, Buffalo, Paterson, and Lansing by substantial amounts. These calculations, summarized in EXHIBIT IV, are *before* any allowance for the higher assessed values that would be involved in the construction of new plants at today's prices.

Unemployment Taxes

Both of the tax studies discussed above exclude unemployment compensation levies. Alleged unemployment tax differentials, favorable to the South, have been the subject of heated discussion in some northern areas. Once again, however, the South's traditionally favorable position loses some of its margin under closer in-

[8] Joe Summers Floyd, Jr., *Effects of Taxation on Industrial Location* (Chapel Hill, The University of North Carolina Press, 1952).

[9] "14 Important Ratios for 36 Manufacturing Lines," *Dun's Review*, December 1952, p. 29.

vestigation. EXHIBIT V shows the average employer contribution rate for unemployment insurance in various states during 1949.

Four of the five lowest rates are in highly industrialized northern states; six of the ten lowest rates are in northern states. While there

EXHIBIT V. AVERAGE EMPLOYER CONTRIBUTION RATE FOR UNEMPLOYMENT INSURANCE

State	Per cent of total taxable wages
Connecticut	0.7%
Indiana	0.7
Ohio	0.7
Virginia	0.7
Pennsylvania	0.9
Illinois	1.0
Alabama	1.1
New Jersey	1.1
South Carolina	1.1
Arkansas	1.2
Georgia	1.2
Mississippi	1.3
Tennessee	1.3
Massachusetts	1.4
North Carolina	1.4
Kentucky	1.6
Louisiana	1.6
Michigan	1.8
New York	1.9

SOURCE: *Facts and Figures on Government Finance, 1950–1951* (New York, The Tax Foundation, 1950), pp. 208–209.

is not complete correlation, the high tax states according to the study of the hosiery and furniture concerns (EXHIBIT III) are also the states with high unemployment tax rates. Of course, these unemployment tax figures reflect average rates for all employers in each state; the effective tax rate for individual concerns could differ from the averages in accordance with actual experience under merit-rating programs.

Future Levels

The foregoing comments reflect comparisons based on recent tax rates. Any plant relocation appraisal should also consider the *future* impact of the need for expanded community facilities in the South. Southern states have a larger proportion of school age children and correspondingly larger needs for educational funds.[10]

In addition, as southern cities and towns grow with the expansion of industrial activity, everyone will want and need more housing, hospitals, roads, and soon. These will have to be provided at today's higher cost levels.

[10] Joe Summers Floyd, Jr., op. cit., p. 29.

Costs of Relocating

Labor costs and taxes usually receive most of the attention in discussions of the advantages and disadvantages of moving south, but they are by no means the whole story. There are also the costs of building the new facilities, of moving people and machines, of obtaining auxiliary services, and many others.

Construction Costs

In view of the earlier discussion of labor costs, it is perhaps not too surprising that construction costs are not so low in the South as many people believe. In one recent case involving simple mill construction, they were practically equal to northern costs for comparable property.

Whatever the southern cost, it will be far above the cost at which existing northern mills *were* constructed. To illustrate the impact of this fact in terms of depreciation alone:

> A large northern concern has recently investigated the possibility of relocation in the South. The company's present depreciation on buildings totals only $50,000 annually. These buildings are old, but they have been kept up and management considers them perfectly adequate. Replacement of these buildings in the South has been estimated to cost $35,000,000. Assuming a 2% depreciation rate, annual depreciation would increase to $700,000 — or 14 times the present rate.

In addition, of course, state and local property taxes, even at lower rates, would tend to be much heavier on a new southern plant than on older buildings valued at a fraction of that figure. Amortization and interest on the funds employed in construction of the new buildings should also be allowed for, even if an industrial development corporation or some similar agency provides the plant. In the case above, for example, management estimates the increase in these additional carrying charges to be more than $2,000,000. Such an increase obviously makes it more difficult for management to justify relocation on the basis of lower operating costs.

Transferring Operations

The expense involved in transferring operations to a new location is often much greater than management estimates. Some costs are anticipated easily enough — for example, the cost of moving and installing equipment. But moving or "installing" *personnel* presents a much more complex problem:

> (1) It is first necessary to train a force of supervisors at the operating level. This involves either transporting present supervisors to the new location and housing them while new supervisors are being trained or, preferably, bringing the new supervisors to the present plant. If the training process is at all involved, travel and housing costs can become substantial. At best, a temporary duplication of payroll costs results.
>
> (2) Once a nucleus of supervisors is available at the new location, recruiting and training the work force can begin. This may involve a cost of $250 or more per employee. This item alone can represent a sizable expense.
>
> (3) Termination pay for employees left behind at the old location can also represent a substantial outlay — especially when alternative opportunities for employment are not readily available.

A relocation move usually will be made by stages if operating conditions permit. In this case, the work force can be gradually reduced in the old location to offset expansion at the new (though perhaps with some difficulty because of seniority rules). The same flexibility is seldom attainable, however, with plant facilities. This means that until the old plant can be closed and disposed of, there will be a duplication in depreciation, upkeep, protection, and other overhead charges.

During a relocation move, customer service frequently suffers. In those cases where differentials in labor cost dominate the choice of a new location unduly, speed of delivery from the new site may be slower. The cost of poor service is difficult to measure. In normal times, however, poor service may be translated into lost sales — either present or future.

An equally important factor in relocation costs is the prompt availability of auxiliary services — especially for the repair and maintenance of machinery and equipment (including office machines). Will such service be available at almost a moment's notice, or will it be necessary to wait a day or more for an essential piece of equipment to be put back into operation? This is an important question when equipment is being set up after a move of possibly a thousand miles or more. And what about the availability of other auxiliary services, such as vendors' representatives, research facilities, transportation, or educational facilities for employee training programs?

There are other relocation costs, but enough have been mentioned to emphasize the importance of carefully calculating them in advance. When this is done, the results may be surprising. For example:

> A thorough study by one company disclosed that a period of 12 to 20 months would be needed before capacity operations could be attained at the new location. In addition, about 4 *more* years would be required to recover the one-time costs incurred in moving and building up a new organization. In other words, management could not hope to make an additional dollar of profit for the owners of the business until more than 5 years had elapsed. And any further narrowing of the historical differential between northern and southern operations during this build-up period could defer considerably the expected improvement in profits.

This is not an argument against relocating — in the South or elsewhere — but only a reminder that the cost advantages must be positive and sizable before the move is justified.

Availability of Management

The soundness and vigor of an industrial organization is largely determined by the caliber of its management. Replenishing the reservoir of competent executives is a very real problem for most industrial concerns today. This problem can be made doubly difficult by a decision to relocate operations in a community which lacks adequate access to educational, cultural, professional, and recreational facilities. Of course, there are many communities of this kind in the North as well as the South, and so what I shall have to say applies to *intra*sectional moves as well as *inter*sectional. If the problem has been particularly acute in the latter case, it is probably because managements have tended to overlook the social factors in their enthusiasm for the economic.

Judging by past experience, a company is not unlikely to find it difficult to retain key personnel after operations are moved south. Here are the kinds of thing that may happen:

> (1) One concern was forced to recall its plant manager because his "Yankee temperament" did not blend effectively with the southern workers.
>
> (2) Key employees of a large plastics manufacturer found that living conditions in their new southern home did not compare favorably with those they had left in the North. The result was an expensive turnover in experienced personnel.
>
> (3) Somewhat more personal is the experience of the executive of a large northern corporation

who recently had to decide whether to go along with the transfer of his company's headquarters from a northern metropolis to a small southern community. In this case, his company pretty well dominated the economic and social life of the southern location. The executive's decision not to make the move was based upon two factors: (a) "It would be too much like living in a goldfish bowl" and (b) "I would completely stagnate." To be sure, he might not have felt this way if the company had moved to a city of a size comparable to its old locale in the North — say, Atlanta or Birmingham or Memphis — but the smaller communities are frequently the ones that are most attractive costwise.

It is quite true that good management can be trained and recruited. The fact that numerous southern industries are staffed with able administrators drawn from local areas is proof that a company can find good executive material in the South as well as in the North. So there is no reason to doubt that any executives lost because of a decision to relocate in the South can be replaced in time. But this is not the point. The point is that executive development is not easy, in whatever area and from whatever source, and that the cost of breaking up one executive team and building another is one that may need to be taken into account in weighing the advantages of moving south.

Conclusion

This analysis suggests three main conclusions, applicable to relocation anywhere:

(1) Before casting the die on a plant relocation program, management should carefully appraise not only present but *prospective* cost differentials between the existing and proposed locations.

(2) Management should carefully measure the *total cost* of relocating, including personnel and equipment.

(3) Comparing the projected cost relationships of the old and new sites with the expense involved in relocation, management can then determine whether the expected profit increase is sufficient to justify the proposed move.

As an aid in reaching a decision, management may find it helpful to ask itself the following questions:

(1) Will the proposed location provide an adequate labor supply five years hence?

(2) Will the labor supply be large enough to provide flexibility in meeting seasonal or cyclical fluctuations?

(3) If the available labor supply is limited, what will be the impact upon training costs and total payroll costs?

(4) Will existing labor-rate differentials between the present and the proposed locations narrow or disappear within the next five years?

(5) Will the proposed location provide adequate housing facilities? If not, what capital outlays will confront the company in making necessary housing available?

(6) Will the proposed location provide adequate medical facilities? If not, will the company be forced to underwrite the cost of making them available?

(7) Will auxiliary services be readily accessible at the proposed location? If not, what costs will the company incur because of delay in repairs, infrequent shipments, inadequate training, and so forth? Or, what costs will the company be forced to incur to avoid these disadvantages?

(8) Will the company be sufficiently close to facilities required for product research and development activities?

(9) Will moving to the proposed location require relocation of top management? If so, will there be a problem as a result of senior executives refusing to move and exercising sufficient authority to force retention of present head-office facilities?

(10) Will the proposed location adversely influence the company's ability to attract qualified executives, including those below the top-management level?

(11) Will the proposed location adversely influence the likelihood of executives keeping themselves abreast of developments in management techniques because of a lack of ready access to technical or professional organizations?

(12) Will the company become such a predominant influence in the proposed location that regard for the social well-being of the community will induce management to modify actions dictated by purely business considerations?

(13) Will the proposed location create a net increase in the cost of transporting raw materials and finished goods?

(14) Will the proposed location increase the investment required in raw materials or finished goods because of longer in-transit time or a possible need for duplicate warehouse facilities?

(15) Will the new location permit sufficiently prompt execution of customers' orders?

(16) Finally, can the costs of relocating personnel and equipment be recovered within a reasonable period of time *after considering the probable cost differentials applying in the future?*

Advantages of Great Lakes Location are Improving, Study Shows

Michigan Department of Economic Development
422 W. Michigan Avenue, Lansing 15, Michigan

For Release
Friday A.M.
January 8, 1954

The following paragraphs are a digest of a talk being given by John O. Tomb of McKinsey and Co., management consultants, Chicago, Thursday evening Jan. 7 at a joint meeting of the Great Lakes States Industrial Development Council and the Michigan Economic Development Commission at the Kellogg Center, Michigan State College, East Lansing. Mr. Tomb's talk, which is part of the program of the two-day annual meeting of the Great Lakes States Industrial Development Council, presents findings of a study he completed recently. Mr. Tomb is the author of the widely discussed article in the September Harvard Business Review "Should Industry Move South?"

The economic factors which influence the profitability of industrial operations will place an increasing premium upon locations in the Great Lakes area.

Changes in the outlook for markets, sources of raw materials and operating costs all appear to offer a new opportunity for industrial expansion in the Great Lakes area.

Since many of the factors influencing this outlook are just now becoming apparent, any appraisal of the pros and cons of a proposed Great Lakes location should be based upon more than an examination of conditions which existed in the past.

The Great Lakes area enjoys an unequalled position in relation to markets.

The availability of strategic raw materials is improving and operating costs present a more favorable outlook for the region than is generally realized.

Nearly sixty percent of America's own market lies within less than a day's reach of the Great Lakes region. No other area could be a more logical source of products required by Canada's rapidly growing market. In addition, plans for development of the St. Lawrence seaway open up an intriguing prospect of also capitalizing upon the three-fold increase in foreign trade which the Paley Commission predicts for the next two decades.

As for raw materials, of greatest significance is the rapid exploration and development of new sources of raw materials, especially in Canada. Projects to turn out vast quantities of iron ore, nonferrous metals, petroleum and natural gas are just beginning to reach the point of availability. Many of these are directed toward the needs of the metal fabricating and consuming industries which predominate in the Great Lakes region.

Perhaps most significant of all is the marked trend toward equalization of regional operating costs. This is a condition about which only a part of the business community has become aware. Yet, studies of inter-regional cost differences clearly point to a disappearance of the low wage or low tax rates which once made other areas - such as the southeastern states - attractive locations for industry. The steel industry, for example, recently eliminated its traditional North-South wage differentials.

Many industrial and clerical rates in the South now equal or exceed the pay for comparable positions in the Great Lakes area.

As far as taxes are concerned, a number of the Great Lakes states possess decided advantages.

KEEPING THE CONTINENT'S GREATEST INDUSTRIAL AREA AHEAD

PROCEEDINGS OF SECOND ANNUAL MEETING
GREAT LAKES STATES INDUSTRIAL DEVELOPMENT COUNCIL
KELLOGG CENTER, MICHIGAN STATE COLLEGE,
EAST LANSING
JANUARY 7–8, 1954

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Officers of Great Lakes States Industrial Development Council, 1953

Chairman - Charles H. Slayman, associate
Cragin, Lang, Free and Co., industrial realtors, Cleveland

Secretary-treasurer - Albert E. Redman, director
industrial development, Ohio Chamber of Commerce

The Great Lakes States Industrial Development Council held its second annual meeting in the Kellogg Center, Michigan State College, East Lansing, on January 7 and 8, 1954. Theme for the two-day conference was "Keeping the Continent's Greatest Industrial Area Ahead". The major speeches and highlights of the discussion meetings are reproduced in this booklet for your information, along with an appendix containing the board of directors and officers elected for 1954 and the attendance list for the conference. Additional copies may be secured upon request.

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PROGRAM

GREAT LAKES STATES INDUSTRIAL DEVELOPMENT COUNCIL

Illinois Indiana Michigan Ohio Wisconsin

Kellogg Center, Michigan State College, East Lansing

Conference Theme: Keeping the Continent's Greatest Industrial Area Ahead

Thursday and Friday, January 7 - 8, 1954

Thursday Morning

Registration

Morning meeting - Presiding, John Mellett, director Indiana Economic Council, Indianapolis

Introduction of the Governor of Michigan by Max Horton, executive director of the Michigan Employment Security Commission and chairman of the Governor's Full Employment Committee

Opening address by Hon. G. Mennen Williams, Governor of Michigan

Industrial Resources of the Great Lakes Area......George Moore, manager Cleveland district U. S. Department of Commerce

Thursday Noon

Luncheon - Presiding, William Poole, manager industrial department Toledo-Edison Co., Toledo

President's Remarks on the Past and Future of the Great Lakes States Industrial Development Council......Charles H. Slayman, associate Cragin, Lang, Free and Co., industrial realtors, Cleveland

Some Facts of Life the Great Lakes Area Faces......Maurice Fulton, Chicago manager Fantus Factory Locating Service

Thursday Afternoon

Afternoon meeting - Presiding, C. Dwight Wood, industrial commissioner Detroit and Mackinac Railway, Tawas City, Michigan

Panel Discussion: Problems

For the Purpose of Identifying
THE PROBLEMS OF MOST IMPORTANCE TO ALL CONCERNED
WITH INDUSTRIAL DEVELOPMENT IN THE GREAT LAKES AREA

Chairman, Albert E. Redman, director industrial development, Ohio Chamber of Commerce, Columbus

William G. Keck, consulting geophysicist, East Lansing
E. E. Fournace, industrial development consultant Ohio Power Co., Canton
Wayne Stettbacher, general manager Employers Association of Detroit
Hugh Campbell, manager transportation bureau Detroit Board of Commerce

Panel Discussion: Promotion

For the Purpose of Identifying
THE PROMOTIONAL ACTIVITIES AND OPPORTUNITIES OF MOST COMMON INTEREST
TO ALL CONCERNED WITH INDUSTRIAL DEVELOPMENT IN THE GREAT LAKES AREA

Chairman, Paul Pfister, J. B. Pfister and Co., industrial realtors, Terre Haute, Indiana, member Governing Council National Society of Industrial Realtors

Jack Reich, executive vice president Indiana State Chamber of Commerce Indianapolis
Arthur Longini, industrial agent Chicago & Eastern Illinois R. R., Chicago
Rolle Rand, managing director Industrial Development Corporation of the Port Huron-Marysville Area, Port Huron
Harry Brockel, director Milwaukee Port Commission, Milwaukee Wisconsin
Lester J. Steele, vice president Silloway and Co., industrial realtors, Detroit

Thursday Evening

Dinner - Joint Meeting of the Council and the Michigan Economic Development Commission

Presiding - Dan F. Gerber, president Gerber's Baby Foods, Fremont, chairman Michigan Economic Development Commission

Labor's Interest in Industrial Development of the Great Lakes Area...Barney Taylor, managing editor United Automobile Worker, official publication UAW-CIO, Detroit

Freer Trade, Its Importance to the Great Lakes Area...John S. Coleman, chairman Committee for National Trade Policy, president Burrough Corporation, Detroit

Weighing the Advantages of the Great Lakes Area...John Tomb, McKinsey and Co., management consultants, Chicago

Friday Morning

Morning meeting - Presiding, Harry Shearer, assistant secretary Detroit Board of Commerce

Symposium on the Relative Influence of "Management Factors" and "Location Factors" from the Point of View of Industrial Development

Chairman, Cliff Gildersleeve, industrial commissioner Cleveland Chamber of Commerce

Peter Altman, engineering consultant, Detroit
John Tomb, McKinsey and Co., management consultants, Chicago
Maurice Fulton, Chicago manager Fantus Factory Locating Service
Ray Hartman, area development salesman, Cleveland Electric Illuminating Co.

Metropolitan Area Industrial Development Problems...Paul Reid, planning analyst Detroit Metropolitan Area Regional Planning Commission

Round-up to Determine What is being Done in the Various Regions of the Great Lakes Area to Assist Small Business...Conducted by O.K.Fjetland, director of the employment service division Michigan Employment Security Commission

Business meeting - Presiding, Charles H. Slayman, Council president

Reports of the two committees appointed at the Thursday afternoon panel discussion to draft statements of (1) the problems of most importance to all concerned with industrial development in the Great Lakes Area, and (2) the promotional activities and opportunities of most common interest to all concerned with industrial development in the Great Lakes Area.

Report of Secretary-treasurer, Albert E. Redman

Any Other Business

Friday Afternoon

Luncheon - Joint meeting of the Council, the Michigan Chapter of the Society of Industrial Realtors and the Michigan Economic Development Commission

Presiding, Charles Crabb, manager industries division Milwaukee Association of Commerce

Panel Discussion: Industrial Promotion Trends and the Plant Location Outlook for 1954

Chairman, F. R. Henreken, executive director Committee of 100 of South Bend and Mishawaka, Indiana

Franklyn Dickinson, general supervisor of Industrial development, Ohio Edison Co., Akron
Horace Brewer, industrial development director Consuers Power Co., Jackson
Roger Hubbard, Hubbard Associates, industrial realtors, Detroit, president Michigan Chapter Society of Industrial Realtors
Maurice Fulton, Chicago manager Fantus Factory Locating Service

National Security Policies on Industrial Location......Col. Ted Enter, Director continuity of industry division of the non-military defense staff, Office of Defense Mobilization, Washington, D. C.

Business meeting

Election of Board of Directors, 1954

Election of Officers, 1954

Morning Meeting, January 7, 1954

Presiding:
John Mellett, director Indiana Economic Council, Indianapolis

OPENING ADDRESS

By Hon. G. Mennen Williams, Governor of Michigan

It is a true privilege for the Governor of Michigan to welcome so many representatives of our sister states of the Great Lakes to this second annual meeting of the Great Lakes States Industrial Development Council. I am proud that our own Economic Development Department has been an active participant in organizing and effecting this Council.

We face the problem of keeping the world's greatest industrial area ahead and I am delighted that you have made industrial progress the keynote of this meeting.

Our region's tremendous industrial advantages have made us the envy and the target of other regions not so fortunately blessed with human and material resources. Today we have an industrial workshop second to none. If we are to maintain our position of leadership, we will have to work together to do it. Unfortunately cooperation has been a quality lacking all too often in our past. You know of the war between Michigan and Ohio a century ago in which the armed might of our two states was turned against each other, with, I believe, total casualties of one broken leg. Our peace treaty gave Michigan the Upper Peninsula and Ohio the Toledo area and a strip of territory just south of Michigan's present boundary. The only loser seems to have been Wisconsin, which might naturally have fallen heir to the Upper Peninsula at some future date.

Even in this early conflict the seeds of cooperation were sown, for the Ohio gain became a mighty industrial area and the Upper Peninsula became one of the world's great suppliers of basic materials for industry. The interlocking relationships which exist in an industrial economy have brought profit and higher levels of living to all our people.

So it is today. Our states will continue to compete among themselves for more industry, for better living, and for the material wants of life. And that is good. That is good because it is clean, healthy competition which will better us all.

While reserving the right to squabble within our Great Lakes family let us turn a solid united front to any area that uses foul play to make temporary gain. I trust that this meeting will establish a high standard of cooperation in this region. I hope that our record here will lead to cooperation in other ways as well. Every region in the U..S. except our own Great Lakes holds an annual Governors' Conference. Let us hope that the need and the value of working together will be so amply demonstrated here today that the rewards from cooperation in the past will be repeated many-fold.

Let us examine this question of the Great Lakes area greatness, its location, natural resources and people. Our area has been blessed with the gifts of Almighty Providence for within our 5 state area we find the key resources that have made us the workshop of the world.

In mineral resources we have iron, coal, limestone, salts and other minerals so essential to our national growth and economy.

In transportation we have an unparalleled rail, highway, water, and air system. Michigan's lumber era brought rail to all parts of the state. When the forests were turned into houses for our middle-western communities, the rails remained, were integrated with national systems, and today provide access into every part of the state. In no area of similar population density will we find the rail development of central and northern Michigan.

Our water is pure and there is plenty of it. We have no problems like New York and Los Angeles where available supplies are inadequate to meet population needs. We have 3/5 of the entire world's fresh water supply, which is continually replenished by our well-distributed rainfall. If we have a water problem, it is to keep it completely useful.

For markets we have the greatest market area in the United States for both consumer and industrial goods.

We are a production-minded people. Our tremendous industrial know-how made us the arsenal of democracy in World War II and the workshop of the world today. The basis for our supremacy in mass production know-how is our managerial ability-unexcelled anywhere in the world. Our labor ability is equal to that of any place in the world with the most production per dollar of capital investment.

For recreation and leisure hours our workmen are favorably located near our vacationlands. This is a wonderful ingredient for happy living.

The Great Lakes Area has been blessed by Almighty Providence with natural gifts. Our people have used them wisely to build a mighty industrial empire. Let's keep the area sound not only for ourselves but for the entire world.

"INDUSTRIAL RESOURCES OF THE GREAT LAKES AREA"

By George Moore, manager Cleveland district U. S. Department of Commerce

I have been asked to talk to you about the industrial resources of this section of the country represented by the five Great Lakes states of Ohio, Michigan, Indiana Illinois and Wisconsin. Apparently, it was thought that I might add something to the solution of your mutual problems. These problems are largely concerned with the retention of industries in these five states and the attraction of outside or new industries into these states. Your job, therefore, is a selling job, as most jobs are; and it is largely a matter of mustering your facts in order to present your arguments skillfully. The competition that you are meeting with other sections of the country is aggressive and you are dealing with customers who have keen analytical minds. These men want facts not oratory or sentiment. They want these facts authenticated so that they cannot be disputed.

I hope to present these facts to you. I will not attempt to dress them up in sales talk for that job you can do far better than I. To do the assignment justice, I have tried to put myself in the place of your potential customer. It is not too difficult to do that. For 25 years I was in charge of a company with two metal-working plants, one located in Detroit and one in Toledo. So today I want to talk to you as an industrialist and not as an official of the Department of Commerce. Let's assume, therefore, that I am still in the manufacturing business, that I have outgrown my plant and cannot expand where I am located, and therefore must move. It occurs to me that it wouldn't be much more expensive to move several hundred miles as to move across the street and that if there are better locations elsewhere, where costs would be cheaper, operations more efficient or inducements greater, the time to investigate is now. So I go to a Department of Commerce office to find out what I can about the economic background of the various parts of the country. Naturally before picking a specific location, I want to decide, first, on the section of the country where I feel the opportunity would be greatest, whether the Atlantic Seaboard, the South, the Southwest, the Pacific Coast, or to stay in the Great Lakes area where I am presently located. He explains to me that the country is divided into 9 Census Divisions and that the 5 states around the Great Lakes are called the East North Central Division. The other divisions territorially are defined as follows: New England covers the New England states; the Middle Atlantic covers New York, New Jersey, Pennsylvania; the South Atlantic all states from Delaware to Florida plus West Virginia; the East South Central those southern states east of the Mississippi from Kentucky to the Gulf; the West North Central those agricultural states west of the Mississippi including the Dakotas, Minnesota, Nebraska, Iowa, Kansas and Missouri; the West South Central states include Oklahoma, Arkansas, Louisiana and Texas; the Mountain states cover 8 states running from the Canadian to the Mexican border; and the Pacific Coast covers the 3 states of Washington, Oregon and California. For comparative purposes, therefore, these Census Divisions are a natural.

Before digging into his reports, he asked me what I considered the most important criteria for a favorable location. I told him that <u>first</u> should come <u>people</u> for people are workers, customers and neighbors. The character and number of people determine labor supply, markets and the level of government, of schooling and of cultural advantages. <u>Second</u> come manufacturing facilities, agricultural production, power availability, access to raw materials, etc. Third, financial resources availability of sound financial institutions, incomes and so forth. Fourth, labor supply, type of labor, wage rates and labor productivity.

So we start with people. He tells me that the East North Central district with which I am most concerned has more people in it of any other Census Division - 30,399,368, to be exact in 1950. He points out that this 30 odd million is 20.2% of the total U. S. population and he asks me to remember that figure because it will be a measuring stick of the relative standing of this area on other factors. The growth in population from 1940 to 1950 was 14.2% showing that the area is not stagnant. About 2-1/4 million more people have been added since 1950. This growth is at the rate of about 515,000 a year so that a population of about the size of a city like Cincinnati is added every year. This is a powerful stimulant to steadily increasing markets for food, clothing and soft goods and also creates pressures for larger and more homes, schools, retail and industrial buildings, highways and so forth which bring with them the need for hard goods. Projecting this growth into the future he estimates that by 1960 there will be a total population of 34-35 million people. An interesting point that he makes is that this growth in the past has been the result both of excess of births over deaths, and of excess of migration in over migration out. There were 712,871 babies born in these 5 states in 1950 more than in any other Census Division and exactly the same as the national average. In the same year 305,274 people died, with an excess of births over deaths of over 400,000. But the important point he makes is that 1/3 of the growth of population is due to an excess of people coming into these states over those going out. There were 900,000 of these between 1940 and 1950. This far exceeds every other Census Division except the Pacific Coast. During that same period East South Central states lost 1,325,000, the West South Central 988,000 and the West North Central 891,000, and the South Atlantic 134,000. He points out that people do not migrate unless there is something attractive to migrate to; higher incomes, better living conditions, better jobs; so that this influx of people from other parts of the nation is indicative of a favorable economic climate.

"Alright, I am satisfied about the number of people, but how about employment and living conditions, etc."

Again, he pointed out, the study will bring out some very interesting facts. The population is very largely native white, only 10-1/2% of those over 21 are foreign born. This is considerably lower than in New England, the Middle Atlantic states and the Pacific Coast. Only 6% of the population is non-white. A little more than New England, the Prairie states and the far West, but much less than the South and South West where 20-25% are non-white. About 35% of the people are employed in manufacturing which is the highest percentage in the country except New England. The rest find employment in retail, wholesale and service trades and about 9% in agriculture. The 3,664,249 people working in manufacturing plants in these 5 states in 1952 was 29% of the U. S. total and 350,000 more than in the Middle Atlantic states which ranks next in manufacturing employment. It is obvious, therefore, that in these 5 states there is the greatest pool of labor available in the country, and inasmuch as the predominant type of manufacturing requires skills, the number of skilled and semi-skilled workers is correspondingly high. Another interesting point about the spread of population is that there are no great wide open spaces. 124 people per square mile is the average against 148 in New England; 300 in New York, Pennsylvania and New Jersey; 79 in the South Atlantic; 64 in the East South Central; 34 in the West South Central and 45 on the Pacific Coast. Greater concentration of people is most important when considering

labor availability and market potentials. Within these 5 states are ten of the 50 largest cities in the country, double that of any other Census Division and including No. 2, No. 4 and No. 7 in rank. 54% of these people are in the age brackets between 20 and 60, which is the best age for factory workers and which represents a total and a percentage that is second only to the Middle Atlantic group.

"You have satisfied me on the labor market but what kind of customers and neighbors will these people make in comparison with other areas." I say -

You would find them certainly above the U. S. Average. Let's consider education. 88% of those in the age bracket of 14-17 are in high school. That is the highest percentage of any part of the country except the Pacific Coast and it is 4% higher than the U. S. average. Down in the South East Central states for instance only about 75% go to high school. There are more colleges and universities in these 5 states than in any other Census Division with an enrollment of 422,098 which is slightly below that of the Middle Atlantic states but three times that of New England, double that in the South and 50% greater than on the Coast. About one out of every 8 people have gone to college, over 2-1/4 million of them, representing an excellent source from which to train management assistants. Here is a figure that will interest you as an industrial employer. About 25% of all graduate professional engineers are living in these states, over 130,000 of them. That in contrast with the 20 thousand in East South Central and 52,000 in the South Atlantic. With engineers so much in demand that certainly is an asset.

Let us see how these people live. Single homes predominate and of the 46,000,000 dwelling units in the U. S. in 1950 over 9-1/4 million were in these 5 states which figures out 20.3% of the U. S. total. Over 1,650,000 of these houses were built since 1940. 60% of these homes are owner-occupied, 5% more than the national average and much higher than in New England and the Middle Atlantic and South Atlantic states. This high percentage of owner-occupied might be interpreted as indicating both the income status of the family and of the permanency of their location. Another indication is that 86.2% of these homes are equipped with mechanical refrigeration against the national average of 80.2%. When you look at the figures in the South and South West, there is a very marked decline with only 60.4% in the East South Central states. The median value of these owner-occupied houses was $7,720; $400 higher than the average, a little lower than the East and Pacific Coast sections but much higher than in the South where the average runs from $5,000 to $6,300. Of course allowance has to be made for the fact that in the warmer climates houses do not have to be so well built or equipped. Median rentals run about $38 a month in these states along with the Middle Atlantic and Pacific contrasting with $21 - $31 in the South and South West. From these housing statistics it would seem as though the people in these 5 Great Lakes states are housed a little more comfortably than in some other sections, that their homes are a little better equipped and that they have a greater desire to own their own homes. The indication that the scale of living in these states is high is shown by checking automobile registration. About 11-1/4 million cars and trucks are owned in these 5 states, 21% of the total and 2 million more than in the 3 states of New York, New Jersey and Pennsylvania, the next highest. The fewest number of cars are owned in New England and East South Central. It is perhaps only natural that the inhabitants of the Great Lakes area should be auto-conscious inasmuch as the manufacture of automobiles is so predominate in this part of the country.

This brings us to a discussion of the comparative level of incomes in these various Divisions. According to 1950 figures the median income of families in the East North Central states was $3,063, the highest of any Census Division. The nearest approach to that figure is the Pacific Coast with $3,004 and the Middle

Atlantic with $3,020. The lowest is $1,555 in the East South Central states; $2,021 in the West South Central and $2,432 in the South Atlantic. The national Average is $2,619. These great differences are largely accounted for by the predominance of manufacturing in the 5 Great Lakes states where both management and labor participate in the benefits of high industrial income. Another interesting fact about family incomes is that in these Great Lakes states 21% of the families have less than $2,000 and 24% more than $5,000. In the South and South West from 40-50% of the families have less than $2,000 and only 10-15% have more than $5,000.

"Now to your second point how about the industrial setup of this part of the country."

As has been indicated above manufacturing predominates in these 5 states and no other section of the country can touch it. According to the 1952 Census figures the value added by manufacture was $35 billion. This was 32.7% of the U. S. total. The nearest approach to that was the Middle Atlantic Region with 28-1/2 billion dollars. This accounts for the high employment in manufacturing but it would be incorrect to assume that because of this large industrial output the economy is out of balance. Surprisingly enough the products of its farms is about 6 billion dollars second only to the 8 billion of the Prairie states. This 6 billion represented about 19% of the U. S. total. So that even in agriculture these 5 states show an output of about 1/5 of the country as a whole. If you add to this farm production that of the 7 states immediately adjoining across the Mississippi, you would have a total of $14 billion, 45% of the total for the U. S. Consequently, for a manufacturer who is selling to the farm market, location in this particular area would have some very distinct advantages.

"All right, I understand about the heavy concentration of industries in the past but will it continue? Is not industry migrating to other parts of the country?"

The best answer to that is to check the increase in manufacturing in the past few years. In the 5 years from 1947-1952 the value added by manufacture in these states grew from 23 billion to 35 billion or about $12 billion. This was the largest increase of any Census Division and 50% more than in the Middle Atlantic. The Pacific Coast which has had a spectacular increase in population added about $4 billion in those 5 years to their manufacturing production. In 1952 the total expenditures for new plants and equipment in the U. S. was approximately $8 billion, 2-1/2 billion of that was invested in these 5 states or 32% of the total and 3/4 of a billion greater than in any other group of states. So when the figures for 1953 are available, it seems very certain that this geographical division has maintained its position of predominance in manufacturing over any other area. It is also good evidence that management in these 5 states is thoroughly satisfied with the future possibilities of its present location.

If you want further evidence of the expanding character of the industrial economy in these states, it could be obtained by checking the Certificates of Necessity for quick amortization which had been granted since the start of the Korean mobilization up to June 30, 1953. Over 4,800 of these Certificates have been issued to firms in these 5 states. A third more than any other Census Division and the total amount certified for amortization was over $4 billion. Again far in excess of any other part of the country and representing 24.4% of the national total.

Let's break these manufacturing figures down a bit to find out what particular categories of industry are predominant in this area. You may surmise that heavy industry leads but perhaps you didn't realize how much. Machinery (except electrical)

which includes machine tools; and transportation equipment, which includes automobiles, are produced in greater quantity in these 5 states than in <u>all</u> the rest of the country. Over 40% of primary metal industry (steel, copper and aluminum) of metal product fabrication, and of rubber products come from these 5 states; over 30% of electrical equipment, and furniture and fixtures; and over 20% of food and kindred products, of chemicals and allied products, of printing and publishing industries, of stone, clay and glass products, of paper and allied products, and of petroleum and coal products also originate in this section. Only in apparel and related products, in textile mill products, in lumber products and in leather and leather products do the 5 states fall below the norm of 20%. It is important to note the preponderance of high and medium wage industries in these predominant groups. Seven of these industries are high wage, 5 medium wage and only one low wage. All 4 of the industries with production less than 20% are in the low wage group.

Industry in these states is supported by very heavy flow of raw materials from their mines, forests and farms. Including the immediate adjacent area in Minnesota, the iron mines furnish 4/5 of the domestic iron ore output. Among other non-fuel mine products are copper, lead, heavy clay products, stone, sand and gravel. Coal is plentiful and the output per man per day is the highest in the country accounted for largely by the fact that about 4/10 of its coal comes from strip mines and that the underground mines are heavily mechanized. No other region can come close to the output of these 5 states in ingot steel, about 45% of the U. S. total in the first 6 months of 1953; or in steel castings about 45%; in grey iron castings about 47%; in malleable castings about 84% or in non-ferrous castings of about 59%.

Production of electric power is, of course, of great importance in choosing a location. In 1951 the electric utilities in these 5 states produced over 84 million kilowatts far in excess of the production of any other Census Division and representing 22.8% of the U. S. total. This electric power capacity is also being greatly expanded at the present time.

Naturally the industrial market afforded by the 56,000 manufacturing plants is a most attractive one because of the wide diversification of industries with its demand for almost all kinds of materials and products that industry needs. An estimate had been made that this amounts to about $42 billion in 1952 far exceeding that of any other Census Division.

The consumer goods market is also large. The high incomes and the high standard of living have created retail sales of about 29 billion in 1947, slightly greater than in the Mid Atlantic states and more than double that of the South Atlantic or the Pacific Coast. This amount was 22.2% of the U. S. total. Wholesale sales were 21½% of the U. S. total. Receipts from 110,000 service establishments show 21.6% of the U. S. total. These figures indicate a market above the population norm which should appeal to any manufacturer who is concerned with expansion of his sales or who is desirous of cutting his distribution costs.

"You want to know something about the financial resources of this area so let's get along to that. I think we can dispose of that rather quickly", the Commerce man continues. Inasmuch as most of the large banking institutions are in New York City, these East North Central states take second place to the Mid Atlantic. However, the largest cities in these Great Lakes have some very powerful banks with total deposits of 28 billion and a percentage of 19.4% of the U. S. total. Indicative of the thrift of the people who live in these states is that 22.6% of all E Bond sales in 1950 were made to them, the highest of any Census Division. Another indication of high income and business activity was the $17 billion paid by residents of these states in Federal Income and other Federal taxes in 1952. This was second in value among the Census Divisions being topped only by the Mid Atlantic group by about 1-1/2 billion but represented, however, 26.7% of the total. The next largest amount was 7 billion from the South Atlantic states. Another important criteria is income payments to individuals in 1952. Of the 255 billion for the country as a whole 58 billion came to people in the East North Central states which is a little less than in the Mid Atlantic states but about double the next highest in the Pacific states. This was 22.8% of the U. S. total.

"That's fine now let's get down to the last point. Is not this Great Lakes section a high wage area and what can you tell me about its labor productivity."

It certainly is a high wage area which to a marked extent explains the prosperous condition of its people, the very active industrial and consumer markets and the high scale of living enjoyed by its inhabitants. The average wage scale for production workers in manufacturing are highest on the Pacific Coast and second highest around the Great Lakes. The lowest are found in the South East Central states about 30% below the Great Lake's average which in turn is about 10% above the national average. However, these average figures tell only part of the story. A most important reason for the high wage rate in the Great Lakes states is because of the predominance in those states of high wage industries as I have already pointed out. 12 of the 13 industries whose production in this area was greater than 20% of the nation's total were either high wage or medium wage, and all of the primary industries where production was very light were low wage. If you take a look at the production picture in the South where the average wage is low, you will find just the reverse of that. For instance among the low wage industry are textiles, apparel, leather products, lumber and lumber products and furniture and fixtures. If you check the industrial setup in the South East, you would find that 60% of their industry falls in those categories. If you check the Great Lakes states, you will find that 60% is in the high wage group such as machinery, transportation equipment, primary metal products etc. The gap between the wage rates for the same industries in different sections of the country is narrowing and will probably continue to do so. So if you are in an industry where high wage rates prevail you will find less difference wherever you locate than the figures on average wage would indicate. To make an accurate comparison you should do it on the basis of industry, by industry and not use the average figure.

"I can see that, but what about labor productivity?" "Well there you have me", said my Commerce friend, "for it's impossible to set up any measuring stick for the various sections of the country or even by industries in the same area. By labor productivity you mean output per man-hour. I can give you some figures here on the annual production per man in the various Census Divisions in 1952. Taking the value added and dividing by the number of production workers, we find that the value added per worker in Great Lakes states was $9,665. That was the highest of any other Census Division except the West South Central states including Texas and Oklahoma where petroleum products predominate which was $9,747. The South Atlantic group was $6,495, about 1/3 lower, the East South Central was $6,697 about 30% lower and the New England group $7,398 about 23% lower. But do not draw too hasty conclusions as far as productivity is concerned for production per man in dollar value varies very greatly by types of industries. For instance the value added per worker in petroleum and coal products is around $12 thousand. The value added in textile mill products is less than $5000. Naturally if your textile mill products are your leading industries, you will have a low average value added per worker. So it isn't a good measuring stick for comparing regional labor productivity nor have I been able to find one. You cannot compare a firm like the Lincoln Electric of Cleveland whose annual dollar production per worker is above $30,000 to a plant manufacturing textiles where it may be around $5000. All that I can suggest is that you consider the information given above about the people who will be your labor source and the training that these people have had in long established industries and come to your own conclusions. After all the most important factor

in increased production is management. In a pamphlet published in 1951 by the Department of Commerce there was this statement, "Furthermore available evidence indicates that output per worker on this region's (Great Lakes states) farms and in its factories is somewhat above the average. The high output per worker helps to explain the high wage scale."

Well that's the story that I got from my Commerce friend. He had a lot more to tell me but I had stayed long enough. All this he obtained from publications on his shelves and he told me that if I wanted similar information by states and counties, to come back and he could give it to me also.

I don't know whether you can dress this up as an effective sales presentation to your customers but as far as I was concerned as an assumed industrialist, I thought my Commerce friend had done a very good sales job on the Great Lakes Region.

TABLE I

COMPARATIVE DATA - "INDUSTRIAL RESOURCES OF THE GREAT LAKES AREA"

Population Characteristics

Census Division	Population (1950)	Percent of U.S. Total	Percent Increase 1940-1950	Population per Sq. Mile	Percent White	Percent Foreign Born (Over 21)
New England	9,314,453	6.2	10.4	148	98.4	21.6
Middle Atlantic	30,163,533	20.0	9.5	300	93.6	18.7
East North Cent.	30,399,368	20.2	114.2	124	93.9	10.5
Ohio	7,946,627	5.3	15.0	194	93.5	5.5
Indiana	3,934,224	2.6	14.8	109	95.5	2.5
Illinois	8,712,176	5.8	10.3	156	92.4	8.9
Michigan	6,371,766	4.2	21.2	112	92.9	9.3
Wisconsin	3,434,575	4.3	9.5	63	98.8	6.3
West North Cent.	14,061,394	9.3	4.0	28	96.5	6.0
South Atlantic	21,182,335	14.1	18.8	79	75.7	2.7
East South Cent.	11,477,181	7.6	6.5	64	76.4	.07
West South Cent.	14,537,572	9.6	11.3	34	82.8	.03
Mountain	5,074,998	3.4	22.3	6	95.5	7.6
Pacific	14,486,527	9.6	48.8	45	94.8	13.2
United States	150,697,361	100.0	14.5	51	89.5	10.3

Census Division	Mfg. Empl. as % of Tot. Area Empl.	Mfg. Empl. as % of Tot. U.S. Empl.	Agric. Empl. as % of Tot. Area Empl.	Population (20-60 yrs)	Percent of U.S. Total
New England	38.5	9.7	3.6	5,094,419	6.2
Middle Atlantic	33.0	26.3	3.3	17,246,746	21.3
East North Cent.	35.2	29.0	8.9	16,624,988	20.5
Ohio	36.6	7.7	7.0	4,333,125	5.9
Indiana	34.8	3.6	11.6	2,084,791	2.9
Illinois	32.0	7.8	7.1	4,921,911	6.8
Michigan	40.8	6.7	6.8	3,480,716	4.8
Wisconsin	30.6	2.8	18.8	1,804,949	2.5
West North Cent.	15.4	5.6	24.7	7,302,153	8.9
South Atlantic	21.7	11.7	16.2	11,096,396	13.6
East South Cent.	18.4	4.6	27.2	5,674,801	7.1
West South Cant.	13.3	4.2	19.3	7,524,961	9.3
Mountain	9.5	1.0	17.8	2,592,656	3.1
Pacific	26.2	7.9	8.2	8,110,107	10.0
United States	25.9	100.0	12.2	81,267,227	100.0

TABLE II

COMPARATIVE DATA - "INDUSTRIAL RESOURCES OF THE GREAT LAKES AREA"

Vital Statistics

Census Division	Births (1950)	Percent Births to U.S. Total	Birth Rate (1952)	Deaths (1950)	Percent Deaths to U.S. Total	Death Rate (1952)
New England	194,625	5.5	22.6	96,946	6.7	10.3
Middle Atlantic	620,480	17.6	21.7	315,386	21.7	10.4
East North Cent.	712,871	20.0	24.8	305,274	21.0	9.9
Ohio	185,850	5.3	25.3	80,633	5.5	10.3
Indiana	93,479	2.6	25.3	40,630	2.8	9.9
Illinois	189,913	5.3	22.7	92,490	6.4	10.4
Michigan	160,955	4.5	26.2	57,748	4.0	8.8
Wisconsin	82,674	2.3	25.2	33,778	2.3	9.6
West North Cent.	334,464	9.3	24.7	141,455	9.7	10.0
South Atlantic	534,194	15.0	26.4	187,611	12.9	8.9
East South Cent.	303,922	8.5	26.9	104,900	7.2	9.9
West South Cent.	375,915	10.5	26.2	121,971	8.4	8.2
Mountain	140,911	3.9	28.9	43,730	3.1	8.7
Pacific	336,767	9.7	25.3	135,181	9.3	9.3
United States	3,554,149	100.0	24.8	1,452,454	100.0	9.6

Census Division	Marriages (1952)	Marriage Rate (1952)	Percent Marriages to U.S. Total
New England	93,455	9.8	6.0
Middle Atlantic	249,354	8.1	16.0
East North Cent.	281,467	9.0	18.0
Ohio	63,242	7.7	4.0
Indiana	61,881	15.1	4.0
Illinois	81,785	9.2	5.2
Michigan	49,779	7.4	3.2
Wisconsin	24,780	7.0	1.6
West North Cent.	115,966	8.1	7.4
South Atlantic	259,178	11.7	16.6
East South Cent.	125,698	11.0	8.0
West South Cent.	187,430	12.4	12.0
Mountain	130,197	23.9	8.3
Pacific	119,834	7.8	7.7
United States	1,562,579	10.0	100.0

NOTE: Birth, death and marriage rates per 1,000 people.

TABLE III

COMPARATIVE DATA - "INDUSTRIAL RESOURCES OF THE GREAT LAKES AREA"

Educational Characteristics

Census Division	Percent in School Ages 14 to 17 (1950)	Number of Colleges (1950)	Enrollment (1952)
New England	85.9	156	156,330
Middle Atlantic	87.1	279	449,276
East North Central	88.0	321	422,098
Ohio	88.9	69	110,630
Indiana	87.5	40	56,729
Illinois	87.8	100	125,715
Michigan	89.1	46	87,992
Wisconsin	91.1	66	41,032
West North Central	84.6	248	185,988
South Atlantic	77.4	287	250,544
East South Central	75.7	147	107,778
West South Central	79.5	171	206,706
Mountain	85.3	67	87,206
Pacific	90.4	171	268,316
United States	83.7	1,851	2,134,242

Census Division	Number 25 yrs. or older having attended college (1950)	Professional Engineers (1950)	Percent to U. S. Total
New England	770,000	37,700	7.1
Middle Atlantic	2,266,720	137,083	25.8
East North Central	2,261,020	130,068	24.6
Ohio	592,620	38,254	7.2
Indiana	265,515	13,189	2.5
Illinois	703,805	39,835	7.5
Michigan	445,565	27,152	5.2
Wisconsin	253,515	11,638	2.2
West North Central	1,106,050	28,442	5.5
South Atlantic	1,426,990	52,363	9.8
East South Central	547,760	19,519	3.7
West South Central	1,009,335	39,204	7.4
Mountain	489,980	16,432	3.2
Pacific	1,668,225	68,605	12.9
United States	11,546,445	529,416	100.0

TABLE IV

COMPARATIVE DATA - "INDUSTRIAL RESOURCES OF THE GREAT LAKES AREA"

Housing Characteristics

Census Division	Total Dwelling Units	Percent of U.S. Total	Added since 1940 Number	Added since 1940 Percent
New England	2,879,409	6.2	441,080	18.1
Middle Atlantic	9,171,773	19.9	1,297,370	16.5
East North Central	9,334,211	20.3	1,652,643	21.5
Ohio	2,402,565	5.2	424,872	21.5
Indiana	1,232,314	2.7	226,362	22.5
Illinois	2,671,647	5.8	390,641	17.1
Michigan	1,971,842	4.3	452,464	29.8
Wisconsin	1,055,843	2.3	158,124	17.6
West North Central	4,411,435	9.6	495,532	12.7
South Atlantic	5,996,267	13.0	1,448,951	31.9
East South Central	3,195,164	6.9	458,639	16.8
West South Central	4,462,334	9.7	870,139	24.2
Mountain	1,608,421	3.5	369,833	29.9
Pacific	4,924,364	10.9	1,623,741	49.2
United States	45,983,398	100.0	5,983,398	23.2

Census Division	Percent with Mech. Refrig.	Median Value One-Unit Dwelling Structures (Nonfarm)	Median Monthly Rental, Renter-Occupied (Nonfarm)	Percent Dwelling Units Owner Occupied
New England	86.2	$8,943	$30.45	50.9
Middle Atlantic	90.1	8,722	38.42	47.7
East North Central	86.2	7,720	38.33	60.0
Ohio	87.5	8,304	34.28	61.1
Indiana	82.6	6,226	34.26	65.5
Illinois	87.8	8,646	41.91	50.1
Michigan	87.0	7,496	40.29	67.5
Wisconsin	81.9	7,927	37.85	63.5
West North Central	78.9	6,391	33.76	62.2
South Atlantic	69.5	6,349	28.92	52.1
East South Central	60.4	4,933	21.63	53.6
West South Central	69.5	5,466	31.57	55.8
Mountain	77.1	6,582	36.65	59.4
Pacific	84.0	8,872	39.56	57.2
United States	80.2	7,354	35.50	55.0

TABLE V

COMPARATIVE DATA - "INDUSTRIAL RESOURCES OF THE GREAT LAKES AREA"

Manufacturing, Agriculture, and Electric Power

Census Division	Value Added by Mfg.1952 ($000,000)	Percent of U.S. Total	Value Added per worker 1952	Farm Mktgs. 1952 ($000,000)	Percent of U.S. Total
New England	$ 8,989	8.3	$ 7,398	$ 801	2.5
Middle Atlantic	28,540	26.3	8,609	2,104	6.5
East North Central	35,413	32.7	9,665	6,069	18.8
Ohio	10,033	9.3	9,638	1,090	3.4
Indiana	4,465	4.1	9,281	1,112	3.5
Illinois	9,309	8.5	9,748	2,005	6.2
Michigan	8,285	7.6	9,994	727	2.2
Wisconsin	3,321	3.1	9,276	1,136	3.5
West North Central	6,218	5.7	8,787	7,958	24.6
South Atlantic	9,583	8.8	6,495	3,468	10.8
East South Central	3,871	3.5	6,697	2,078	6.4
West South Central	5,156	4.8	9,747	3,875	11.9
Mountain	1,267	1.2	9,248	2,328	7.1
Pacific	9,440	8.7	9,526	3,692	11.4
United States	108,477	100.0	8,591	32,373	100.0

Census Division	New Plant and Equipment 1952 ($000,000)	Percent of U. S. Total	Electric Utility Production 1951 (Mil. Kil-hrs.)	Percent of U.S. Total
New England	$ 420	5.3	17,490	4.7
Middle Atlantic	1,792	22.6	70,028	18.9
East North Central	2,537	32.0	84,391	22.8
Ohio	748	9.4	24,617	6.7
Indiana	379	4.8	12,457	3.4
Illinois	609	7.8	22,644	6.0
Michigan	608	7.7	16,636	4.5
Wisconsin	183	2.3	8,037	2.2
West North Central	327	4.1	21,170	5.7
South Atlantic	754	9.5	49,754	13.3
East South Central	377	4.8	21,959	7.6
West South Central	912	11.5	26,997	7.3
Mountain	127	1.6	17,626	4.8
Pacific	683	8.6	55,258	14.9
United States	7,929	100.0	370,673	100.0

TABLE VI

COMPARATIVE DATA - "INDUSTRIAL RESOURCES OF THE GREAT LAKES AREA"

Statistics for Industry Groups - 1952
(Ranked by Value Added in East North Central Division)

Industry Classification	Wage Classif.	Value Added by Manufacture U.S.($000,000)
Machinery (except electrical)	High	$ 12,806
Transportation equipment	High	11,924
Primary metal industries	High	9,045
Fabricated metal products	Medium	7,168
Food and kindred products	Medium	11,340
Electrical machinery	Medium	6,869
Chemical and allied products	High	8,267
Printing and publishing industries	High	5,660
Miscellaneous manufactures	Medium	3,731
Stone, clay, and glass products	Medium	3,531
Paper and allied products	Medium	3,890
Rubber products	High	1,744
Furniture and fixtures	Low	1,904
Petroleum and coal products	High	2,619
Apparel and related products	Low	4,849
Lumber products (except furniture)	Low	3,449
Leather and leather products	Low	1,597
Textile mill products	Low	5,257

Industry Classification	Value Added By Manufacture: East North Central ($000,000)	East North Central % of U.S. Total	Ohio ($000,000)	Ohio % of US Tot.
Machinery (except electrical)	$ 6,494	50.7	$ 1,960	15.3
Transportation equipment	6,065	50.9	1,271	10.7
Primary metal industries	3,683	40.7	1,453	16.1
Fabricated metal products	3,066	42.8	866	12.1
Food and kindred products	3,041	26.8	565	5.0
Electrical machinery	2,643	38.5	696	10.1
Chemicals and allied products	1,853	22.4	501	6.1
Printing and publishing industries	1,554	27.5	407	7.2
Miscellaneous manufactures	1,106	26.4	416	11.1
Stone, clay, and glass products	992	28.1	434	12.3
Paper and allied products	990	25.4	247	6.3
Rubber products	765	43.9	511	29.3
Furniture and fixtures	691	31.0	172	9.0
Petroleum and coal products	653	21.1	178	6.8
Apparel and related products	539	11.1	140	2.9
Lumber products (except furniture)	391	11.3	60	1.7
Leather and leather products	289	18.1	55	3.4
Textile mill products	211	4.0	--	--

TABLE VII

COMPARATIVE DATA - "INDUSTRIAL RESOURCES OF THE GREAT LAKES AREA"

Comparison of Retail, Wholesale, and Service Sales 1948

Census Division	Retail Stores	Sales ($000,000)	Percent Retail Sales to Total	Wholesale Establishments	Sales ($000,000)	Percent Wholesale Sales to Tot.
New England	115,219	8,557	6.4	13,123	9,341	5.1
Middle Atlantic	395,268	28,175	21.5	64,046	57,747	30.6
East North Cent.	350,319	28,901	22.2	47,412	40,345	21.5
Ohio	86,971	7,373	5.7	11,099	9,469	5.1
Indiana	44,754	3,532	2.7	5,325	3,227	1.7
Illinois	103,405	8,805	6.7	17,454	18,137	9.6
Michigan	68,689	5,950	4.6	8,434	6,684	3.6
Wisconsin	46,500	3,241	2.5	5,100	2,829	1.5
West North Cent.	179,246	13,268	10.2	31,814	21,988	11.2
South Atlantic	222,848	14,772	11.2	22,430	16,287	8.7
East South Cent.	112,879	6,417	4.1	10,318	7,897	4.2
West South Cent.	169,520	10,923	8.3	20,441	13,005	7.0
Mountain	59,861	4,665	4.8	8,615	4,270	2.3
Pacific	164,380	14,838	11.3	25,167	17,805	9.4
United States	1,769,540	130,520	100.0	243,366	188,688	100.0

Census Division	Service Establishments	Receipts ($000,000)	Percent Service Receipts to Total
New England	38,709	507	5.9
Middle Atlantic	141,838	2,395	27.9
East North Cent.	110,159	1,848	21.6
Ohio	28,990	437	5.1
Indiana	13,640	184	2.1
Illinois	35,218	707	8.2
Michigan	21,376	367	4.3
Wisconsin	10,935	153	1.9
West North Cent.	53,593	652	7.6
South Atlantic	58,652	879	10.2
East South Cent.	26,349	354	4.2
West South Cent.	50,993	634	7.4
Mountain	17,008	233	2.7
Pacific	62,258	1,072	12.5
United States	559,559	8,578	100.0

TABLE VIII

COMPARATIVE DATA - "INDUSTRIAL RESOURCES OF THE GREAT LAKES AREA"

Financial Indicators

Census Division	Bank Deposits 12/31/1951 ($000,000)	Percent of U.S. Total	E & H Bond Sales 1952 ($000,000)	Percent of U.S. Total
New England	$ 14,016	7.5	$ 188	5.7
Middle Atlantic	64,662	34.8	866	26.1
East North Central	35,208	19.0	916	27.7
Ohio	8,609	4.6	233	7.0
Indiana	3,542	1.9	102	3.1
Illinois	13,754	7.5	296	8.9
Michigan	6,017	3.2	208	6.4
Wisconsin	3,286	1.8	77	2.3
West North Central	14,865	8.0	380	11.5
South Atlantic	14,439	7.8	306	9.2
East South Central	6,259	3.4	122	3.7
West South Central	12,814	6.9	191	5.8
Mountain	4,503	2.4	85	2.6
Pacific	18,992	10.2	256	7.7
United States	185,756	100.0	3,310	100.0

Census Division	Int. Revenue Collections 1952 ($000,000)	Percent of U.S. Total	Total Income Payments 1952 ($000,000)	Percent of U.S. Total
New England	$ 3,573	5.5	$ 16,635	6.5
Middle Atlantic	19,360	29.9	59,176	23.2
East North Central	17,654	27.2	57,985	22.8
Ohio	4,538	7.0	15,378	6.0
Indiana	1,359	2.1	6,917	2.7
Illinois	5,381	8.3	17,681	6.9
Michigan	5,090	7.8	12,172	4.8
Wisconsin	1,286	2.0	5,837	2.3
West North Central	4,503	6.9	22,128	8.6
South Atlantic	6,901	10.6	28,829	11.3
East South Central	2,212	3.4	11,847	4.6
West South Central	3,425	5.4	19,978	7.8
Mountain	1,327	2.0	8,414	3.3
Pacific	5,865	9.1	30,375	11.9
United States	64,821	100.0	255,367	100.0

Noon Meeting, January 7, 1954

Presiding:

William Poole, manager industrial department Toledo-Edison Co., Toledo

"SOME FACTS OF LIFE THE GREAT LAKES AREA FACES"

By Maurice Fulton, Chicago manager Fantus Factory Locating Service

When your program chairman suggested that I talk on "Facts of Life the Great Lakes Area Faces", I felt that the title was an anachronism. After all, the area represented by your membership has been amply blessed by the benefits of industrial activity. The patron saint of industrial development men, if there be such, has been friendly. This is an area which has "plenty of skilled labor", "ample good water", "is within X miles of at least 50,000,000 people", maybe more, has "the best location in the world", and many other attributes I could tell you about if I had our library of brochures with me. Of course it would not matter which brochures I referred to since they would all probably describe the Great Lakes area, and any other area for that matter, or at least would so claim.

Seriously, however, the Great Lakes States are an industrial man's dream. Of nineteen major industrial categories, the East North Central States (Ohio, Indiana, Illinois, Michigan, and Wisconsin) have the greatest percentage of employees, in manufacturing plants with over 100 employees, in 8 different categories. 32% of all such employees are in the East North Central States. Thus, these states lead in the production of food, furniture, paper, rubber, primary metals, fabricated metals, non-electrical machinery, and transportation equipment.

The area falls behind in tobacco, textiles, and lumber, the greatest concentration of which is in the South Atlantic States. The Middle Atlantic leads in apparel, printing, chemicals, glass, and instruments. And New England has greater employment in leather.

Furthermore, not only has the Great Lakes been well off for years, it has profited greatly as a result of the tremendous post-war growth this country has experienced. A recent sampling of about 150 companies operating over 1500 plants shows that 25% of all plants built or purchased in the period from 1940 to 1947 were located in the East North Central States. In the period from 1946 to 1951, almost 28% were located in your area. In the latter period Ohio led the entire nation, with California second, in the number of these plants built or purchased.

The question of future growth of the area has been reserved I understand for discussion tomorrow afternoon.

Plant location in the post-war years has been based primarily upon those factors which have been considered by industry for decades. Obviously, the relative importance of these factors varies greatly among industries and even among companies within a given industry. Furthermore, the importance of these factors varies from region to region throughout the country.

Looking at it on a national basis, post-war expansions have been affected by the following factors which I will outline in order of importance:

<u>Proximity of existing facility.</u> The vast majority of expansions which have occurred within the past ten years have been additions to existing facilities. In the North Central States, almost four of every ten projects entail the expansion of facilities through the purchase of an available plant or merger with a going concern. This should be obvious to you in view of the usual desire of industrial prospects for existing buildings. However, addition to existing plants and construction of entirely new facilities <u>each</u> represented about one-third of the total.

The fact that expansion within the region has been almost equally divided among the three types is evidence of the area's economic strength in the past as well as its potential for the future. The area's past industrial importance is attested to by the fact that industry has been able to expand by enlarging or purchasing facilities already existing locally and yet, many companies think enough of the future of the area to have become involved in new construction.

I suppose that we are all <u>most</u> interested in new construction. After all it is the brand new plant coming from another area which is the most glamorous. It sometimes means the introduction of new capital, new skills, and new products to the industrial base.

Next in importance to proximity of existing facility as a factor has been the <u>location of markets</u>. This is followed by <u>raw materials</u>, <u>labor supply</u>, <u>transportation</u>, and, <u>finally</u>, <u>water</u>, <u>fuel</u> or <u>power</u>. In addition such new items as national security and the tax rate structure are also beginning to make themselves felt as factors in the location of industrial plants.

It has been my experience that among most manufacturing concerns considering establishment of a new plant, there has been <u>one basic equation</u> which reflects the <u>entire</u> location process. This is a balancing of transportation costs on one side with labor on the other side.

All of us are aware of the new significance the small city is taking on in connection with the construction of new plants. This decentralization into small communities has been an important characteristic of post-war expansion.

Before 1940 nearly one-half of all American industrial plants were in cities of more than 100,000 population. Today, only about one-third are so situated. This does not mean that the larger cities have lost industrial employment. They have continued to grow in that respect as well. However, thirty per cent of all new plants established since 1940 have been located in towns of 10,000 or less.

In addition to decentralization into smaller communities we have another form of decentralization in the establishment of branch plants in completely distant areas. An obvious example of this is the current trend toward decentralization in the automotive industry. There is now a general movement away from Detroit as the center of the automotive industry. This has been emphasized by the construction of regional assembly plants throughout the nation. However, equally significant with the removal of these jobs to other areas is the effect on suppliers to the automotive industry.

At one time approximately 80% of the auto parts volume originated within 300 miles of Detroit. The centralization of the parts suppliers was concentrated principally in the Great Lakes States. The dispersion of assembly plants is resulting in a definite program by auto manufacturers to develop local sources of supply in the vicinity of assembly plants, and what started out as a simple branch plant has resulted in Los Angeles County ranking second to Akron in the manufacture of automobiles, tires, and tubes.

This example of the automotive industry is not unique. Where transportation cost or service to customers is a problem, we get an increasing tendency toward the establishment of branch plants away from the industrial heart of the country.

I am perfectly aware that all of you realize the industrial importance of the Great Lakes area. I have taken the trouble to repeat the obvious because some of the problems --- some of the "Facts of Life" the area must face stem directly from the very characteristics which make the area so great.

I suppose if any one phrase were used to characterize this region it would be "a high degree of industrialization". As a direct result of this favorable situation we have several problems facing the industrial developer.

One of these is a problem of labor supply. During periods of full employment in the nation, the Great Lakes area, along with the middle Atlantic, is one of the first to show a labor shortage. I know of many instances of removal from the area caused by inability to locate a suitable labor supply within the region. If we look at the Department of Labor's list of labor surplus areas, we find 15 major and 24 smaller areas listed as chronic labor surplus areas. Only one of the 15 major and two of the 24 smaller areas are in Great Lakes States.

I know that many of you will question the absence of a labor supply in at least a dozen choice locations within the service area, city, state, along the railroad, or what have you, which he serves. I will not deny that there is always a certain amount of labor available in any location however tight the situation might be. However, the easy, ample, labor supply which makes for selective recruiting, higher labor productivity, less turnover, and greater respect for the job, all so desirable to the manufacturer is quite different from that labor supply which exists through extension of the commuting area, pirating from other employers, lowering of hiring standards, high pressure recruiting tactics, and so on.

Another problem this area must face is one most of us do not like to talk about, at least in public. Nevertheless, I would be derelict if I did not point out that among our clients are many important companies which make strike history, union activity, or attitude, a major locational factor. I do not mean that they are seeking absolute freedom from union membership. I do mean, however, that many industries are reluctant to move into a community dominated by some of the larger more aggressive union organizations. Hand in hand with this objection is a reluctance to be located in the same city with some of the larger industrial establishments. Many firms fear competition in the same labor market with these industrial giants where wage levels and other practices are established for the community by the super-industry.

Another problem of the area is the complacent attitude of many of the communities. This attitude stems from years of industrial plenty. Many of these communities have never known what it is to be without payroll and, consequently, fail to consider the advantages of new industrial blood flowing through the citys' veins.

Another problem facing you people working in the area is the relative age of the industrial plant. Because of the early growth of manufacturing in this region many of the facilities involved are old. Buildings are sometimes antiquated, machinery has been written off decades ago, there is little land for expansion and location. In view of shifting markets, new products, or what have you, are no longer strategic. In some cases uneconomic practices have crept into its production and cannot be eradicated without complete removal from the location. As a result, one sometimes finds an itchiness, a higher degree of mobility, a greater desire to pull up stakes and improve conditions among industries in this area than in other, less matured industrial centers.

Other factors or problems sometimes have a bearing on your job although they are much less significant than those I have mentioned. For example, the cost of utilities -- power and gas for example, may be much less in Southern and Southwestern locations, resulting in a greater attraction of those areas for those industries for which these things are important. State factors, such as taxes, are generally favorable in the Great Lakes states.

Summarizing, then, it appears that we have certain problems which are generated within the area itself. These are problems of labor supply, aggressive unionization, domination of super industries, the attitude of many communities, and the age of the industrial plant.

More significant, however, are the influences from the outside. Such influences have a profound effect on your tasks.

Chief among these is the matter of true decentralization. If all location criteria dictate establishment of a plant outside of Great Lakes area there is little to be said or done. That is, there is little to be said or done unless you take the attitude of one Texan I know who feels that a case can be made for A Texas location for every plant that is ever located anywhere regardless of the product, distribution, or other factors dictating the location.

Another outside influence is a possible complete return of the steel industry to uniform pricing and freight absorption where necessary for competitive reasons. Just as the return to f.o.b. pricing resulted in some centralization of steel fabricating plants, so will a return of freight absorption eliminate one of the objections to decentralization on the part of these plants.

A final outside influence it is necessary to reckon with is the great amount of effort being expended by other areas and aimed at your industries. Detroit, Cleveland, Chicago, are all serving as happy hunting grounds for the raiders from the South, Southeast, and Southwest. Their ammunition is big caliber too. They come loaded with inducements, prestige appeal, in the form of personal visits from Governors, and offers of cost advantage, not all of which are as ephemeral as some of you might like to believe.

The inducements take many forms and in spite of the fact that a common bromide heard among communities in this area is that "every good company likes to pay its own way" do not for a moment believe that every "good company" turns its ear on talk of inducements. These inducements may constitute five or ten year tax exemption, not tax exemption but a special deal on assessment, a plant built to the company's specifications and financed by popular subscription of the citizenship, funds of an industrial corporation, the sale of revenue bonds, the sale of stock, etc. They may also consist of free land, extension of utilities at no cost, city services outside the city, etc., or they may consist of outright cash grants, or cash in the guise of moving expenses, labor training costs, etc.

Furthermore, these inducements or as you probably prefer to call them, subsidies, are often presented by the Government of the state in person. It is a remarkable thing to observe the great interest the Governors of non-industrial states take in industrial development. Many a Midwestern business man is flattered into action by the personal invitation of the Governor.

Finally, many of these industrial development people from outer space will show many fields in which initial and perpetual cost advantages can presumably be realized. With little encouragement, they are prepared to make comparative tax studies, comparative traffic studies, and any other elaborate preparations designed to show how their particular area will solve all of the headaches of the particular manufacturer.

It would thus appear that industrial development personnel in the Great Lakes States area have a two-fold problem, one generated from within and the other the result of influence outside the area. Both are generally the result of the high degree of industrialization you presently enjoy.

It seems to me that a development group in this area has two possible courses of action open to it. The first is the simplest, in which the group or agency simply acts as a passive source of information. Brochures are furnished to inquirers and "cooperation" offered anyone considering putting a plant in the area. On the other hand, the development group can combine this activity with a much more active role. This involves not only the principles of aggressive, hard selling, but also entails recognition of some of the problems peculiar to the industrialized area. There are three phases to this activity.

First is the matter of attracting new industries. This is the most glamorous, the most attractive, and the one which receives most publicity. It is the phase on which most funds and efforts are expended.

In view of the fact that so much industrial growth originates from local sources, it would seem that the encouragement of new, sprouting industry would be a second function.

Finally, and certainly of equal importance, particularly in this area is the problem of conservation. I am convinced that the necessity for retaining the industrial concerns already within the area is a function which is sometimes overlooked in the search for new scalps to be added to the belt. The lack of emphasis on this phase is undoubtedly due to problems you folks have on the other side of the fence. Problems of budget, necessity of showing results, satisfying the have-not communities, etc. Or perhaps it involves efforts which we, in our organization, do not come into contact with. Yet, in dealing with our many clients and in the course of many intimate meetings with them, it is usually apparent that no effort has been made on the part of a local group to interest the company in expanding or remaining in its <u>present</u> location. The importance of working with your existing industry cannot be overstated. An industry saved is as important as an industry gained.

Furthermore, your local industrialists are without doubt your best salesmen <u>or</u> your competitors' best salesmen. If manufacturing conditions are satisfactory, the manufacturer will generally say so when approached by a plant location investigator. On the other hand, if local conditions leave something to be desired, you can be certain that the disgruntled industrialist will be loud in his condemnation of a

local government, the type of rail service, labor, attitude, and a score of other features, any one of which might discourage an industrial prospect.

In facing up to the "Facts of Life", there are a limited number of steps that can be taken. As I just said, first and foremost is enlistment of the cooperation of existing industry. Education of communities to the point where significant and factual information is provided is almost as important.

Finally, I would liken the situation to that of a father advising his daughter on the "Facts of Life". "You are attractive, have most of what it takes, and there are many outsiders who would like to rob you of some of your most priceless possessions". If you keep conditions at home sufficiently attractive, there is less likely to be wandering into other meadows where the grass appears greener.

<u>Afternoon Meeting, January 7, 1954</u>

Presiding:
C. Dwight Wood, industrial commissioner Detroit & Mackinac Railway, Tawas City, Michigan

Panel Discussion: PROBLEMS

For the purpose of identifying the problems of most importance to all concerned with industrial development in the Great Lakes Area.

Chairman:
Albert E. Redman, director industrial development, Ohio Chamber of Commerce, Columbus, Ohio

Panel Members:
Wm. G. Keck, consulting geophysicist, East Lansing
E. E. Fournace, industrial development consultant, Ohio Power Co., Canton
Wayne Stettbacher, general manager, Employers Association of Detroit
Hugh Campbell, manager transportation bureau, Detroit Board of Commerce

Dr. Keck cited the importance of determining the quantity of good water for a specific area. The chemical analysis of such water is of course a factor for an industry requiring certain water properties. Dr. Keck emphasized that "in making such a survey it is important that it be predetermined that the water supply is sufficient to supply the natural growth rate of a community as well as fulfilling the requirements for additional industry."

The various methods used to determine underground water supply were explained. Two in common practice are the electrical and drilling methods. The electrical method involves the use of certain equipment that registers the resistance of various underground materials to electric current. In this test electrodes are placed in the ground at various distances. The strength of the current between the electrodes determines the solidity of underground formations which in turn are analyzed by a geologist. Drill equipment is often used for actual tests. Pumping water above the ground and then noting the draw upon other drillings in the area, as well as the length of time it takes to refill the drillings, is a common method used in underground water analysis. It is noted that sand and gravel deposits are of great importance to a potential water supply. The Geological Survey Division of the Conservation Department is an informational source on water resources for the State of Michigan.

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E. E. Fournace emphasized the importance of retaining existing industries. Such retention could be helped through contacting management from time to time to talk over any problem or "gripe" that they might have. Future adverse decisions affecting a community might very well be avoided by this approach.

The speaker also emphasized the necessity of a community to work closely with professional planning groups in setting aside definite areas for industrial development. This is of primary importance; past experience has shown a tendency to place such sites last in city planning. As a result, industry has quite often been hemmed in and the outcome is a blighted area and slum conditions. Smaller towns are apt to think of all land outside their community boundaries as potential industrial sites and do not take into consideration the expense of extending municipal services.

Communities are prone to think of industry in terms of the past. Such terms as dirty, smelly, noisy, are not in keeping with the facts of modern plants that have done much to overcome these nuisances.

Communities must also recognize the importance of industrial taxation to their economic welfare. Large industries bear a large part of the burden of paying for schools and municipal improvements in larger cities. The same holds true in small communities. In proof of this fact Mr. Fournace cited the example of Tiffin, Ohio- a town of 19,000 population. The following 1952 tax study gives the tax valuation of 8 principal industries, located within the city limits, compared to the assessed value of residential and small business property, real and personal:

Tiffin City Real Estate Duplicate	$25,265,590	
Deduct 8 Industrials	2,448,030	(1)
Residential & Small Business	$22,817,560	
60% Residential	$13,690,540	
40% Small Business	9,127,020	
Tiffin City Personal Property Duplicate	$10,070,110	
Deduct 8 Industrials	6,865,095	(2)
Residential & Small Business	$ 3,205,015	
35% Residential	$ 1,121,755	
65% Small Business	2,083,260	

It is noted that, even in this small town, 8 industries account for 10% of real estate valuation and over 68% of personal property valuation. When the total of real and personal property valuation - excepting railroad and utility property, is considered, these 8 industries account for over 25% of the total, or $9,313,125, as shown herewith.

(B) INDUSTRIALS (8)	(1)	(2)	Total (1) & (2)
#1	$ 662,100.	$ 822,450.	
2	774,290.	611,750.	
3	128,530.	309,790.	
4	180,620.	354,219.	
5	215,070.	556,720.	
6	94,650.	247,670.	
7	90,650.	247,556.	
8	302,120.	3,714,940.	
	$2,448,030.	$6,865,095.	$ 9,313,125.

When railroad and utility valuations are added to the 8 industrials it is found these three classifications make up nearly one-third of the city's total valuation of real and personal property as shown in the following table:

	Assessment	Rate	Tax
(A) Railroads (3)	$ 884,120.	$15.00 Per M.	$ 13,261.80
(B) Industrials (8)	9,313,125.	15.00 Per M.	139,696.88
(C) Utilities (4)	2,167,820.	15.00 Per M.	32,517.30
Small Business	11,210,280.	15.00 Per M.	168,154.20
Residential	14,812,295.	15.00 Per M.	222,184.42
	$ 38,387,640.		$ 575,814.60

From this tabulation, one readily notes that the 8 industrials plus the railroads and utilities also pay nearly one-third of the total taxes collected. The assessed value of the properties of railroads and utilities on Tiffin for 1952 is as follows:

(A)	B & O	$ 325,680.
	P. R. R.	460,660.
	N. Y. C.	97,780.
		$ 884,120
(C)	Electric	$ 849,850.
	Gas	256,550.
	Telephone	434,630.
	Water	626,790.
		$ 2,167,820.

Surely, this comparison of taxes and assessed valuation clearly points out the financial aid to community services, facilities and improvements that springs from the establishment of manufacturing plants.

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Wayne Stettbacher stressed the fact that favorable labor conditions in the Great Lakes States Industrial Area are proved by the record of migration of plants and that only those requiring lesser skilled labor can afford to risk moving to low cost labor areas. John Tomb's article was cited as pointing out the pitfalls of moving to so-called low wage areas.

In discussing the productivity of labor today Mr. Stettbacher felt that it was management's responsibility to make labor conscious of the importance of his job and that a "fair day's work for a fair day's pay" is being developed through the science of human relations. The Great Lakes area is devoting much time and study to the problem of training in both high school and industry. For example, the Caterpillar Company in Peoria, Ohio, originally made the machine operators do their own set-up work. This presented a terrific training problem that was met by setting up an apprentice training program to train men for this specialized field. One of the great advantages of this area is the existence of public facilities for training employees. There have been great strides made in labor relations and it can be expected that there will be greater improvement as time goes on.

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Hugh Campbell observed that economic studies do not look far enough ahead in making predictions or in giving accurate estimates on industrial development. Our industrial growth has been tremendous in the past few years. As an example, the water tonnage this year exceeds the figure that was estimated for 1960.

Transportation has always been a problem and is becoming a greater one as population increases. This population increase has overtaxed existing transportation facilities. This is true with air as well as rail, trucking and water. Inadequate planning has resulted in the scarcity of "transportation land". Land that should have been earmarked for highways has been used for other purposes. Good trucking facilities are important to industry both large and small. Competition among various transportation companies and methods of transportation has been very keen in the past. It is time that railroad, trucking and water transportation get together and recognize the "facts of life" rather than pecking at each other. A sound transportation program must rely upon the cooperation of existing types of transportation.

Panel Discussion: PROMOTION

For the purpose of identifying the promotional activities and opportunities of most common interest to all concerned with industrial development in the Great Lakes Area.

Chairman:
Paul Pfister, J. B. Pfister and Co., Terre Haute, Indiana, member Governing Council, National Society of Industrial Realtors

Panel Members:
Rolle Rand, managing director, Industrial Development Corporation, of the Port Huron-Marysville Area, Port Huron, Michigan
Arthur Longini, industrial agent, Chicago & Eastern Illinois Railroad, Chicago, Illinois
Jack Reich, executive vice president, Indiana State Chamber of Commerce, Indianapolis, Indiana
Lester J. Steele, vice president, Silloway and Co., industrial realtors, Detroit, Michigan

Rolle Rand discussed "Promotion at the Local Level" as follows:

Community Relationships

Each community has two conflicting groups: one wants to keep things as they are and tends to discourage new industries from coming in, the other feels that it has more to gain by inducing new industry to move in. This group tends toward uneconomic overdevelopment.

The local industrial developer must be able to win the support of both factions if he is to build a successful development program. In most cases this means "playing the situation by ear"--convincing both groups of the need for concerted action for the common good.

The developer must not only fuse community action, he must generate enthusiasm for rational industrial growth. This means making community salesmen out of all the citizenry. Favorable local attitudes are the community's best indicator of pleasant living conditions. Everyone should be on the lookout for industrial prospects. If a potential employer comes into town, word should be flashed immediately to the development office.

The local developer must have an unusual talent. He is responsible to everyone and is frequently the target for everyone's complaints. Actually a successful location is the result of the combined efforts of many people and many agencies.

Promotion in all its forms--publicity, public relations, public education-- is the method of overcoming public inertia and of welding together the force for a constructive development program. At the same time promotion should not be built around the developer or even his organization. They should not become symbols of industrial or community progress. The community is greater than its institutions. The true basis of development should be the need and the vision of the people to pull together to make their community a better place in which to work and to live.

Industrial Prospect Relationships

Industry moves primarily to obtain additional manufacturing space, and to improve its labor situation. The aim of promotion at this time is to induce restless manufacturers to come in and look the town over. It is never enough to close the deal, but only to attract attention and build up interest.

Obtaining industries from outside the community is a realistic, highly competitive business based on material--not philanthropic--reasons. The developer must draw his plans very carefully if he is to be successful. He must be certain that he has a suitable location for the prospect's type of business. His object is not to sell land; it is to add payrolls. Rumors can skyrocket land prices to the point where sale may be impossible, or at best, a definite handicap to industrial location. It may be necessary for other towns to do what Port Huron did--establish an Industrial District for new industry, where land is available, favorably platted, zoned and developed, and for sale at a token price.

The industrial developer must be equally certain that he has all the facts necessary to enable the prospect to make a wise decision. Michigan Bell Telephone Company recently selected Port Huron for its new branch record office primarily because it was able to get complete information from one source.

The scrupulous developer builds up his knowledge of the prospect's personal likes and dislikes just as soon as possible, and caters to them. He avoids any possible friction between temperaments and personalities.

The developer should remember that what he is trying to do will disrupt the entire life of the manufacturer, his family and friends, and business associates. Make the rough areas as smooth as possible.

Above all, the developer must never violate a confidence. The prospect will want any contemplated move kept quiet. Do not let your enthusiasm lead to a premature disclosure. Towns have lost industries this way--some they felt certain about.

Promotion Aids and Assistance

A brochure can not be called a powerful selling weapon, but prospects have come to expect one from each community. It should be prepared for a specific level of management. Port Huron prepares a brochure for top level management which is in capsule form--so a busy executive will get the most salient message as quickly as possible. The site selection level of management will receive maps--contour, aerial photographic, precinct, etc.--to show where the community is located, and more detailed data about it.

Direct mail pieces should be large enough to get the full story across. Port Huron's is 3½ pages long. If a prospect is interested in reading it at all, he will want a fairly complete story. Applying this reasoning, Port Huron received 40-44% returns from its direct mail campaign. Of these, 18% were willing to meet with the industrial developer.

Continuous advertising is essential to a successful program. Newspaper and magazine advertising with a great many free mentions have helped pre-sell Port Huron thereby greatly aiding subsequent contacts. If this form of promotion were suspended, the community's name would be quickly lost. The experience of nationally advertised products proves this.

Industrial prospects should be encouraged to deal directly with the Industrial Development Corporation in the community. The greatest advantage to the manufacturer is that this is a one-stop service. A tremendous amount of work is saved by obtaining all information in one place. This means that the developer must have an attractive, easily accessible office for his operations. It must have an aura of permanency, and be suitable for confidential, uninterrupted conversations where supporting information can be adequately displayed and utilized.

Don't forget your local manufacturers. What they say to industrial prospects may well be the deciding factor. The prospect will want to talk with local manufacturers to learn their experiences in the locality. If they are on your side, if they say what they like about the town, there is hardly a more convincing testimonial.

Join all the real estate boards. Management will check with realtors early in the search for new locations. The developer should back them up with full community information. A Society of Industrial Realtors tour of your buildings and sites pays dividends over and over again.

Other governmental agencies can be of real service to the developer. Port Huron is closely watching St. Lawrence Seaway developments. Its Industrial Development Corporation at the request of the local Port Study Committee recently determined the amount of freight tonnage available in the hinterland that could be water-shipped from Port Huron in the event ocean traffic became a reality in the area.

Measurable Results

Unemployment has been reduced from 6% to 3.9%--better than at any time during World War II. Within one year from its inception, the Industrial Development Corporation has succeeded in signing up six new employers in the Port Huron-Marysville Area.

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A summary of Arthur Longini's description of the industrial development work carried on by the Chicago and Eastern Illinois Railroad is given as follows:

The Chicago Eastern Illinois Railroad entered the industrial development field only recently. A management consulting team advised setting up a department to handle this work. Today one-third of the department's time is spent in servicing on-line firms and the balance in bringing in more industry.

One of the first steps taken in this field of industrial development was to prepare surveys of Evansville and of Southern Illinois cities served by the Chicago and Eastern Illinois. The latter survey was prepared in considerable detail and was bound in brochure form.

Use of the Brochure

The company felt that this 300 page brochure would serve several purposes. First it brought scattered information together into a useful form. Secondly, the Railroad's 240 freight solicitors were supplied with the information necessary to interest prospects in Southern Illinois. An instruction course was given to the lines' representatives in all parts of the country and the brochure was used as a text-book, However, the lack of formal training in development work, the conflicting interest of building up freight business in local areas, and the fact that solicitors normally deal with traffic men, not top decision-making management, were enough to make this part of the program expensive and largely ineffective.

Another purpose of the brochure was to furnish information directly to potential prospects and inquiring manufacturers. Advertising in Business Week, the Wall Street Journal, and similar business publications resulted in a tremendous number of requests for the book. Some of these were from other development groups interested in obtaining copies of the brochure for their own purposes. These were honored until the supply became dangerously close to exhaustion. There should have been a $5.00 charge for each of these copies which would have covered publication costs only.

Blind prospecting was attempted by using Moodys' Industrial Manual as a mailing list. The brochure was sent to firms with good records of growth and adequate capital for expansion. The Chicago area proved to be the most fruitful.

Preparation of the Brochure

The brochure sticks rather closely to factual information although opinions are added whenever they are obviously justified. Transportation, power, fuels, and labor received the most extensive coverage although water supply, climate and taxes also were included. The brochure makes good use of maps.

A number of new methods were used to overcome handicaps long confronting development research people such as:

Labor-management relations were put on a comparative statistical basis by using information purchased from the Bureau of Labor Statistics on work stoppages with number of man-days lost by counties.

Commuting patterns indicating distances workers will drive to a good wagepaying plant were worked out to reveal potential labor supply.

Power cost charts were developed which permitted direct rate comparisons of various power companies, considering the variables involved.

Transportation rates were mapped showing class and exception rates for specific areas. (Commodity rates still can not be used as they are not based on geographic conditions)

Both warehousing and wholesaling facilities were listed as well as a list of other industries which might be potential suppliers to any new industry.

Manufacturing cost ratios giving breakdowns by specific industries were compiled from the Census of Manufactures for the first time.

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Jack Reich brought out the following points:

Sell specifics that create a favorable and lingering impression in the minds of your prospects. Pick your area's outstanding advantages, put them in easily remembered terms, and concentrate on them. G M sells the key to power. You should sell: efficient labor, satisfied manufacturers, inexpensive (not cheap) labor, lower total wage costs (don't use rates).

The Indiana State Chamber of Commerce has no industrial department. Its job is to improve the "governmental climate". The state is unique in that it does not want federal assistance. At present it has a tax surplus and is undertaking a gigantic road program without borrowing funds to do it.

This independent attitude is also characteristic of Indiana's industries. Labor unions want no paternalistic employers. Indiana's labor leaders are responsible individuals whose attitude toward industrial development has been a major factor for the state's sensational increase in per capita income from manufacturing during the past six years.

The Indiana State Chamber of Commerce is currently promoting a better educational program for all its people.

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A summary of Les Steele's comments is given below:

He states that there is no magic answer in successful industrial location work. The best procedure is the skillful presentation of the facts most significant to the prospect and his firm.

Small firms can be influenced in their choice of location because they generally do not have a staff member experienced in plant location. Large firms, on the other hand, have their best locations pretty well in mind by the time the industrial realtor is called in.

Industrial location people should remember that where there are several plant sites that seem to be about equally satisfactory as far as economic conditions are concerned, living conditions may well be the deciding factor. Industry consists of people who want to be welcome in a new community. They want to be good neighbors. They will not go where they are not wanted. The manufacturer will ask his associates "How would you like to live in so-and-so town?" You can bet that if the staff does not have a favorable opinion of that town, the community has small chance of getting that plant. The industrial agent should sell the prospect's kind of pleasant living.

Industrial location patterns are constantly reflecting technological, economic, and population changes. Industry is no longer tied to rail. Freeways have made the choice of sites much broader than it once was. At the same time they have caused land values to rise. Open land between cities has now become of great value for plant location. A plant today must have ample room for expansion--a factor that is forcing them out of our major metropolitan areas. However, fringe area sites alone are not enough. These sites must be assembled, platted, favorably zoned, and have adequate water supplies.

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Comments from the group were to the effect that some manufacturers believe that you can tell the personality of a people by the kind of public officials that are elected. Indifference and self-satisfaction among the people are quickly revealed by the attitudes encountered in City Hall.

Evening Meeting, January 7, 1954

Joint meeting of the Council and the Michigan Economic Development Commission

Presiding: Dan F. Gerber, president Gerber's Baby Foods, Fremont, Michigan,
chairman Michigan Economic Development Commission

Members of the Michigan Economic Development Commission present at the dinner meeting were introduced by Dan Gerber. The first two speeches of the evening meeting were given by members of the commission.

"LABOR'S INTEREST IN INDUSTRIAL DEVELOPMENT OF THE GREAT LAKES AREA"

By Barney Taylor, managing editor United Automobile Worker, official publication UAW-CIO

Although the program for this dinner lists my subject somewhat broadly as.... 'Labor's Interest in Industrial Development of the Great Lakes Area"....I am somewhat reluctant to assume the role of spokesman for all of labor....not even for all of organized labor. I have no more desire to speak for Harry Bridges and his longshoremen of the West Coast than I would for Joe Ryan and his longshoremen of the East Coast. To get into a little different territory, I don't think that I could or would speak for that arch-opponent of the St. Lawrence Seaway....Mr. John L. Lewis, whose social vision seems to be blocked by a pile of coal.

I do believe, however, that I can speak with some authority of the views and policies of the United Automobile, Aircraft and Agricultural Implement Workers of America - known to all of you as the UAW-CIO - with the belief that those views and policies are in harmony with the majority of organized labor, both CIO and AFL. The UAW has about 1,450,000 members. Of that number, 1,100,000 live and work in states touching on the Great Lakes....more than 600,000 in Michigan, 90,000 in Illinois, more than 175,000 in Ohio, more than 100,000 in Indiana, 60,000 in New York, 55,000 in Wisconsin, 45,000 in Pennsylvania and 5,000 in Minnesota. There are about 70,000 UAW members in Canada, with nearly all of them concentrated in the Province of Ontario.

It's hardly necessary to go beyond these figures to establish compelling reasons for the UAW's most profound interest in the industrial development of the Great Lakes Area. The question in your minds probably is: Does labor understand and appreciate its importance? The answer, of course, is yes.

We are not interested in narrow sectionalism. We know that there are elements of competition for the industry between various sections of the United States. and, indeed, between the various Great Lakes states. Labor would like to keep that competition healthy and fair. I am a citizen of Michigan and I like the place where I live. But I want Michigan to sell its legitimate advantages to industry and not to depend, as a few southern states do, on unfair and unreasonable, tax-exempt, industrial revenue building bonds, on unfair and anti-social labor legislation, and on a depression-scale level of unemployment compensation benefits. Such incentives can hurt us here, while tending to perpetuate the backwardness of the states that offer them--largely, I'm afraid, to transient and relatively undesirable industry.

Take the state of Tennessee, for example. The UAW-CIO has given unanimous support to the Tennessee Valley Authority - delegates to our conventions from Michigan and Ohio and everywhere else want to see the region served by TVA grow and prosper. In turn, the delegates representing the some 15,000 UAW members in Tennessee give just as enthusiastic support to the St. Lawrence Seaway.

Labor regards the St. Lawrence Seaway and TVA as both being in the national interest and not as matters of sectional favoritism. Despite the many valid and worthwhile incentives Tennessee has to offer industry, the legislature of that state has chosen also to offer short-sighted and regressive laws as an added attraction for the near-sighted. I get sort of a chuckle out of some Southern advertising which offers an"ample, loyal, docile, Anglo-Saxon labor supply"--also cheap!

A Detroit manufacturer a couple of years back moved a portion of his operation to a small southern town where he employed about 250 people. The UAW promptly organized the workers and won an NLRB election by a majority somewhat greater than we usually get in the north. Partly because the employer had depended heavily on cheap labor in making his contracts, and partly because of the lack of collective bargaining experience of his new work force, a long strike took place, with the result that wages and conditions are now not very far short of Michigan standards.

I was down there for a day or two and I can assure you I never saw a less docile group of men in my life. UAW representatives had to go in to keep down what might have turned into a shooting war. I have heard Michigan strikers talk about a punch on a strikeleader's nose, but down there the talk was of shootin' irons.

Even if it were desirable, it is not possible for Labor to separate itself from society as a whole. It is not possible for Labor to be a "special interest" group at odds or in some kind of conflict with those not members of unions because union members and their families form too great a portion of the total population of the country. That is why Walter Reuther has said many, many times that Labor must make what progress it can with the community and not at the expense of the community. Throughout history, progress made by stepping on the neck of one's neighbor has never been real or lasting. Because we in the UAW-CIO have recognized this simple truth, we have sometimes been given undue credit for extraordinary social vision. But what some term "advanced" social thought is no more than looking at the cold facts of our life.

The kind of labor movement we are building in America is not one committed to the proposition that our work begins and ends with another nickel or two in the pay envelope. We want to mobilize workers in the economic field and then apply our organized strength to the struggle in the political field as citizens, and to the whole field of social - and industrial - progress as citizens.

We do not want to patch up the old world so one can starve less often and less severely. We would much rather bring out a new model that would incorporate all of the finest innovations that modern thought, science and technology can devise. I think we are tooled up to do that job. I think we can conquer poverty and human insecurity if we can learn to use those tools. We know how to make things (and how to split the atom); but we must learn to take those things we know how to make and use them to create human happiness and human security--not just for members of the CIO or AFL, but for everyone.

When the CIO supports "Oil for Education" measures, it doesn't mean education for children of CIO members only, but for all American children. When the UAW-CIO members contributed some $200,000 for relief of the recent tornado victims in Michigan and Ohio, not one cent was marked "for CIO members". Those funds are for the relief of the whole community.

It is popular in nearly all organizations to sneer at convention resolutions as so many scraps of paper. Yet, in the labor movement those resolutions adopted in democratic conventions make up the actual living program for the union until the time of the next convention. I can speak here only for my own union, the Auto Workers: not one single resolution has ever been passed that was not designed to benefit the great majority of the people and the country. Certainly many actions of labor have been directed against narrow, short-term, selfish interests of some employers and other small groups; but no action has ever been designed to advance the union member by taking something away from his neighbor.

I have spoken of the impossibility of Labor separating itself from the rest of the people, and I think that fair-minded people will agree that such separation __is__ impossible. But let us assume that the __will__ to place organized workers on an island of prosperity all by themselves __did__ exist among the leaders of labor. I can say categorically that such leaders would not be leaders very long. The individual union member is involved in many affairs outside his job. He has savings. He has some kind of investment--even if only a small insurance policy. His brother, or his father, or his favorite uncle, is a farmer. Maybe he ownes a small piece of land himself. He may own another house that he rents--or maybe he just rents a room to a clerk in a law office. He drives an automobile, goes to church, sends his children to school, pays taxes, goes to the ball park or golf course, belongs to a civic or fraternal organization or both. His interests are widespread and his union must also place no limit on its interests.

As the Constitution of the United States defines the duties of government, so does the union also exist to promote the __general welfare__. Trade unions today should be among the best voices of the people. They must be responsive to the needs of __all__ the people if they are to perform their true function in a free society.

When I went to Governor Williams' office to be sworn in as a Commissioner of Economic Development, I asked him his views on the role of a labor representative on this commission. He said, "Do all you can, the best you can, for the people of Michigan and for Michigan industry." I told the officers of the UAW-CIO what the Governor had said, and asked them if they had anything to add. They said, "That's good enough for us". And I've never had any further instructions since and expect to have none.

I am sure that progressive labor in each of your states is ready and willing to work with you. If you and your state governments are willing to take labor into partnership - and I am sure that many of you already have done so - we can make a team that can not only put up a successful defense for the economies of our several states and the Great Lakes region, but we can move ahead to greater and better industrial development for us all.

"FREER TRADE, ITS IMPORTANCE TO THE GREAT LAKES AREA"

From a talk by John S. Coleman, chairman Committee for National Trade Policy, president Burroughs Corporation, Detroit

Mr. Coleman spoke briefly on the subject of what foreign trade means to this great industrial basin of the midwest, as summarized below. He mentioned President Eisenhower's State of the Union message of that very day in which the president had urged the Congress to approve promptly our participation in the construction of the St. Lawrence Seaway and had endorsed the stand of the Committee for National Trade Policy. Mr. Coleman thought that in perhaps no other way than through an invested expansion of trade can our high degree of industrial might be maintained.

The speaker pointed out that the Great Lakes area has a productive capacity greater than our own domestic economy can consume. Where does the answer lie but in sending or selling more of our goods to those who wish to buy them? One of the reasons we are unable to do this is because of some of our trade practices prohibit the countries that would buy from us from earning the dollars whereby they could purchase American goods, agricultural products and mining commodities. This nation has assumed the role of leader among the nations of the world. It is incumbent, therefore, on the United States to take the initiative in removing the barriers to trade.

To those of us who live within the Great Lakes Basin, we often forget that Canada is just as much a foreign country as France or Brazil, China, India, or Japan. For to those who work in Detroit and have branch plants in Windsor, those branch plants are closer than the outlying plants in the city of Detroit. Here to the north of us we not only have a great, good and necessary neighbor, but a neighbor who purchases more from the United States than all the other countries combined. Its growth has been phenomenal. If we wish to sell our goods there, we should lower some of the barriers that prohibit us from buying Canadian goods.

In Detroit plants, one out of every seven employees owe their jobs to export trade. That is credited to the automobile industry but actually its influence extends far beyond the confines of Detroit to Saginaw, Lansing, the western section of the state and to the Upper Peninsula where copper and iron ore are mined. It extends beyond the boundaries of our state to the suppliers of the automobile industry. For example, a textile manufacturer in Hartford, Connecticut, sells his total textile output to the automotive industry. He was originally violently opposed to the lessening of restrictions which prohibit us from carrying on a freer trade throughout the world. Yet the future of his own company in New England was tied directly to the automotive industry, which is an exporting industry and furnishes cars at a lower cost abroad than can the foreign manufacturer. The same thing is true of an electric motor manufacturer in Chicago. He thought he had no interest in this subject because he makes only fractional horsepower motors, but at least half of his motors are sold to companies having large export businesses. This is true throughout the country. Where the rub in the whole question seems to lie is that when you increase exports you must increase imports.

Alexander Hamilton first introduced protective tariffs in 1789 primarily for revenue raising purposes, and secondly to shield the infant manufacturer. McKinley added protection against low-priced foreign labor in 1878. Our degree of productivity is so great in the United States that other countries have raised barriers against the importation of U. S. goods, particularly manufactured items, because they cannot compete with the automatic machinery and the high plant investment that we have in order to produce an article at the lowest possible cost. The productivity rate in Great Britain is one-half that of the productivity rate in the United States; that of France is one-third; in the rest of the world the productivity rate averages one-ninth of what we can produce here. So when hearing the argument that the United States cannot compete abroad with foreign labor, it is interesting to note that we sold 16 billion dollars worth of goods outside the United States last year, not including military goods, in direct competition with Germany and other parts of the world, and this has been going on since 1918.

Hence, year after year, we have been able to compete in other markets of the world which have provided jobs for people in this area, particularly Detroit, Cleveland, Milwaukee, Toledo, Chicago and Buffalo.

A great deal is heard today about the competition that Western Germany is going to give us. Because of its wage rates and manufacturing genius, Western Germany will be able to manufacture export goods and undersell our markets. In this civilized basin of Western Europe is a population 12 percent greater than the population of the United States, and an employed population 8 percent greater than all those gainfully employed in the United States. And yet the total gross production from there last year was only 27 percent of the gross national production of this country.

We know that increasing imports into the United States does not displace employment here. By increasing imports, foreign countries earn more dollars which must be spent here, and which in turn will employ more labor in this country. A national trade policy will do certain things, but the principal one is to bring about some semblance of order in our customs regulations. Varying duties on importation of tuxedos from Canada depending on the trim down the pants, on matches from Sweden depending on the decoration of the match-cases, and on ping-pong balls from Japan depending on their use, bring the point home.

It is in our national self-interest to encourage two-way trade and to get away from the aid that we have been paying six billion dollars a year in taxes to support for the past six years. Some individuals and industries oppose foreign trade. What about the copper industry? Copper goes into motors and into automobiles, particularly Northern Peninsula copper. Perhaps the largest consumer of copper wire, next to the Detroit Edison Company, is the American Telephone and Telegraph Company. Within the next five years, the first cables will be laid down between New York and England to transmit the human voice. This is a 27 circuit cable that takes the highest type of copper wire. What about our agricultural production? While the rest of the world is clamoring for food, there are no longer enough store-houses in the commodity credit corporation to take care of our surplus agricultural products.

The world looks to us today for leadership. We assist them politically, give them money for military use, but hesitate to put the economic foundation under them that they need.

"WEIGHING THE ADVANTAGES OF THE GREAT LAKES AREA"

By John Tomb, McKinsey and Co., management consultants, Chicago

The subject that your committee suggested we might spend a few minutes exploring this evening has been labelled, "Weighing the Advantages of the Great Lakes Area". I think perhaps I ought to tell you at the outset that I am really not a mid-westerner, I don"t know if I am even qualified to discuss this subject, because actually I am a transplanted easterner. I do live in Chicago, and I work there, but up until a few months ago I was a Bostonian, and prior to that I lived in New York for ten years, and prior to that Boston and its suburbs, so if you want to disagree with anything I say this evening, you can lay it to the fact that I arrived here so recently that I really don't know much about the middle west.

The question of weighing the advantages of the Great Lakes can be approached, I think, from a number of points of view. Some of your speakers today have all ready done a very exhaustive job of covering a lot of the information that relates to this whole question, and I just want to say now that I am very much impressed by the spirit that I sense in your meetings here. It seems that you have made up your minds to establish a regional organization that can advance and promote the interests of this part of the country. I don't think I have ever participated in a series of meetings where people were so avidly interested in building up a store of factual information that they can take back to use in their daily work. This is without question one of the most attentive groups I have ever had the privilege of participating in or being a part of. I am impressed by what I have seen, and having had some experience with similar organizations, particularly in New England, I do want to wish you well in the program that has been outlined in broad terms here today. I should think you could do great things to help promote the economy of this part of the country.

When I prepared the article for the Harvard Business Review that has been very kindly referred to several times today, I was particularly concerned with the problem of plant relocation. Some of the advance material that went out to you indicated that this was a problem in the Great Lakes Area, but if I may, I would like to deal with the subject more from the standpoint this evening of how can the Great Lakes Area do a better job of attracting new industry. If you have looked ahead on your program for tomorrow, you will find that there is going to be a panel discussion in the morning dealing with the question of management versus location, and although I don't want to predetermine the program for the chairman of that group, I think at that time we may deal more with the problem of how we in this area can do a better job of retaining the industry that is already here --or to put it a little bit differently, how can we do a more effective job of combating the tendency for industry in the Great Lakes Area to migrate to other parts of the country? Tonite, therefore, I would like to concentrate our attention for a few moments on what are the assets that make this part of the country an attractive place for industry to locate.

I think in starting out that we can perhaps agree that selecting an industrial location is primarily a matter of economics. It is simply a matter of selecting the location where management can obtain the maximum profit from its operation. I would like to toss out for your consideration four major factors that determine location. First, where are a company's markets located? Secondly, where do a company's raw materials come from? Thirdly, what are the operating costs? --and I am thinking now of operating costs in the sense of the differences between different parts of the country. And then fourthly, what kind of management can this organization expect to have? Partly because we are going to talk about management tomorrow, I suggest that we assume that management is adequate for the purposes of our discussion this evening. So in talking about markets, in talking about raw materials, and in talking about operating costs, should we make one other assumption? Could we approach this problem not from the standpoint of what have been the markets or the raw materials picture or the operating costs in the past, but let's look ahead into the future, because I think most of you men in this room are primarily concerned with trying to find locations for tomorrow, not with trying to find locations yesterday. Let's focus our eyes on the future, and see what this pattern looks like. We might call it a new look at the Great Lakes future. We have a map up here just to orient everything. I am sure all of you are acquainted, without any further comment from me, with the five states that make up the Great Lakes region. And so, as our chairman has pointed out, we have eight percent of the land area, twenty percent of the people, we furnish twenty-nine percent of the country's production, and thirty-two percent of the national income.

What has been happening in the last few years and what is likely to happen in the future to market aspects of this Great Lakes Area? To repeat what you have all ready heard today, the Department of Commerce figures show that the Great Lakes Area has grown steadily in employment; it has grown to the point now where it is the largest geographical division used by the Bureau of the Census. As far as employment is concerned, it has now replaced the Middle Atlantic Area in size. Outside of the South and West it is the only part of the United States that has improved its income position considerably faster than the rest of the country. For instance, from 1929 to 1951, per capita income in the United States increased by 133%. Ohio increased its per capita income by 141%, Wisconsin by 155%, and Michigan by 183 %. In other words, what we have today is a situation where a larger share of the nation's income is centered in the Great Lakes region than ever before. This Great Lakes region--bounded on the west by the Mississippi River, on the east by the northern border of New York State, the Hudson River, and then along the Appalachian mountains to Tennessee and Arkansas on the south--is an area that the economists' own economic geographers refer to as the urban industrial market of the United States. This urban industrial market, which represents only twenty percent of the land area of the United States, accounts for nearly sixty percent of the nation's income payments to individuals. And the significant thing about this urban industrial market is that, because of the strategic position of the Great Lakes Area practically smack in the center of the urban industrial market, from this part of the country you can serve sixty percent of the nation's spendable income within less than twenty-four hours'time. How can anybody possibly ask for a better situated position than the Great Lakes region offers, in terms of getting a substantial chunk of the total demands for goods and services?

Let's probe into it a little bit further. Mr. Coleman has already referred to the growing Canadian market which sometimes we overlook. But Canada, as he told us, is far and away our largest foreign customer. And the Canadian market, very much like the American market, is centered in the same geographical section from the Atlantic Coast to the Pacific Coast. In other words, the center of the Canadian market and the Province of Ontario are practically on top of our Great Lakes Area. Again, what more logical section is there in the United States for serving this vast and growing number one customer of ours abroad, than the area that you ladies and gentlemen are interested in?

Looking ahead or looking around a bit to a broader picture, where are some of these European or foreign markets that Mr. Coleman spoke of? -- a European market that is said to be only 27% of the industrial output of our country. That is a fantastic potential demand for American production. And thanks to the President's recommendation today, and the recent decision of one of the key senators to support the St. Lawrence seaway, I again would just like to raise the question--what area in the United States is better equipped to provide manufactured goods for our overseas markets than this Great Lakes section of the country?

The McGraw-Hill Publishing Company, in a survey or study it made of our foreign market as of 1975, recently estimated that we could probably look forward to a tripling of our foreign trade by that time. That is the sort of expansion of demand for American products that could go a long way toward sopping up some of this unemployment which in recent weeks has become of growing concern to all of us around the country. This, I will admit, is looking a bit into the future, and it requires making some assumptions on our part. However if we try to approach the problem of where industry should locate in terms of the market that we are likely to have in this country, and the market that we can command abroad, it seems logical to me that there certainly is no part of the United States that is better equipped to serve that growing market than the Great Lakes Area. I would even go so far as to question whether there is any area that is as well equipped to supply it as this part of the country.

Let's jump along to the raw materials picture. As you gentlemen know from some of the statements made today, the Great Lakes Area is the center of the nation's metal producing and manufacturing industries. Chicago, for example, has wrested from Pittsburg the nation's lead in steel production. The primary metal, fabricating, and machine industries have over sixty percent of manufacturing employment in this East North Central region. This means that the importance of adequate supplies of raw materials is obvious and should not be underestimated. Just what does that mean for this part of the country as far as industrial location goes?

The Pauley Commission, which recently turned in a very exhaustive study of America's national resources, tells us that because of the rate at which we have been using up our iron ore, our copper (even in the Northern Peninsula), and many of our other basic raw materials, we are going to become increasingly dependent upon foreign sources for these raw materials. Just to take one example, it is estimated that within the next twenty years nearly fifty percent of our iron ore will come from abroad. I think it is interesting that in the newspaper today there was an article about the first shipment of iron ore from Venezuela. Well, let's take a look at where some of these raw materials are going to come from other than Venezuela. And again our direction and attention seems to go in a northward direction. We have the Steep Rock iron ore development in the Province of Ontario; we have the Quebec-Labrador iron ore development; aluminum in Quebec; non-ferrous metals of all types or of many types in the Provinces of Ontario and Quebec. We have the fantastic petroleum and natural gas developments that are just beginning to come into their own in the Ontario Province. And then on top of that, we have the South American, African and Asiatic sources for raw materials which the Pauley Commission tells us will become increasingly important.

Again, the real significance of this picture, it seems to me, is that, because of the availability of water transportation to this area--the Mississippi River and the St. Lawrence seaway--the Great Lakes Area is in a position to capitalize upon this shift that is coming inevitably from domestic sources for strategic raw materials, to foreign sources for strategic raw materials. Certainly the differentials in the transportation costs between waterborne freight and landborne freight, much as some of our railroad friends may hate to admit it, can make all the difference in the world between operating an enterprise profitably and unprofitably. So to summarize on these two points, we have a picture of market development and a pattern of raw materials or natural resources availability that seems to indicate that the location you occupy here in the Great Lakes Area will put you in a particularly favorable position, especially as time goes on, and as foreign markets expand in their demand for our products. As foreign sources of supply grow in importance as the source of raw materials, these factors put you in a particularly favorable position here to provide the kind of inducement that will help you do a more effective job of bringing industry into this area.

Now, some of you may be saying, that is all very fine, but we don't need to have someone from Chicago come over to tell us these things, we knew these things already. But how about this problem of operating costs? Well, how about them? I sometimes think that there may be a similiarity in this problem of operating costs to some of Mr. Coleman's comments about the ping pong balls, because I have an idea that some of our good friends who have been attracting new plants to other parts of the country have been putting across a story that couldn't always be supported by facts, that is, if people would take the time to get the facts. And the most important element in this pattern of facts, it seems to me, is founded on the basis of not only my personal experience with this problem, but on the basis of a good many discussions I have had with business men who have faced up to it, and also on a certain amount of economic statistical researching- the most important single factor, I repeat, is that whatever regional differences in operating cost patterns we may have had in this country in the past are beginning to rapidly disappear. As a matter of fact, in some instances already the pendulum has swung so far that if we were to go out and get the facts, I am sure a lot of us would be surprised to find that certain portions of the Great Lakes Area are more favorable to locate in from an operating cost standpoint than some of the sections of the country that have been beating the tom-toms, as our friend from the UAW told us, about their docile low-cost labor supply.

Let's just look at this a little more carefully. I think there are several factors that have influenced the change in the operating cost picture. First of all, as one of the speakers mentioned this morning, some of the Southern states have actually commenced to have a loss of population in the past decade, meaning fewer people to man the jobs that industry wants to take care of. Against that we have the fact that many of you are aware of, that certain of our large manufacturers of durable goods have found it desirable to locate assembly plants closer to the consumer market. This has been particularly true of automobiles, refrigerators, production of that type, for transportation charges for a finished product are particularly heavy. So we have had this dual influence going on at the same time--a loss of workers in the labor force, and a very active program on the part of certain manufacturers to set up plants in an area that was losing part of its labor supply. I don't need to tell you what the result has been. It is just what you always expect in the law of supply and demand. Fortunately the law of supply and demand doesn't stop at the Mason-Dixon line as far as wage rates are concerned, in spite of the things done down there to keep wage rates low.

For a quick specific example--a client company we made a pretty careful study for, to determine the answer as to where to locate a plant, had a plant in the North and one in the South, making practically identical products. In 1951 the labor cost differential between the Northern and the Southern plants was so great that the Southern plant was making twice as much money as the Northern plant. During 1952, some of these conditions that I just mentioned began to work in the wage picture of this particular company, and the result was that by 1953 the differential had disappeared entirely.

The hosiery industry provides a similar example. I will agree that very few people are interested in the hosiery industry in this area, but I think that this is significant as an indication of what is going on. In 1951, the North-South differential in average hourly earnings was eight percent for full-fashioned hosiery. The following year this differential had entirely disappeared, and in 1953, there were certain months in which the hourly rates in the South actually exceeded the hourly rates in the North. The hosiery industry is one of those few industries for which the Bureau of Labor Statistics compiled monthly comparisons on a regional basis. They don't have appropriations to make similar comparisons for many industries.

You have already been told in one of the sessions this afternoon that one of the three big automobile producers has a long-standing policy of no geographic differentials. When the Continental Can strike was settled the other day, one of the agreements was a program to eliminate geographic differentials. Last year the steel industry got rid of its traditional North and South differentials. So here we have a pretty definite pattern. It may not take place one hundred percent over night, but I think the important thing for you people in your discussions, regarding any one concerned with locating in this area, is that you don't care what the historical differentials have been, here is a trend that is very rapidly taking shape.

Because Mr. Cisler is in front of me, and his company is one of the organizations in this area that from my own observation has done an outstanding job of preaching the advantages of this area, here are a few comparisons in the utility industry. You have to have a lot of meter men to run a public utility, gas or electric. The average hourly rate, according to the Bureau of Labor Statistics, is $2.01 an hour in the Great Lakes area; in the Southeast, the Carolinas, Georgia, Florida, etc, $2.08 an hour. That is not much differential, but here the Southeastern rate is actually higher than in this part of the country. For trouble men the rate is $2.19 in the Great Lakes area, and $2.21 in the Southeastern states. Maybe some of you have doubts about BLS statistics, but according to what Uncle Sam reports, here is one instance where the Southern rate is actually higher than the Northern.

Let's look at one other aspect of labor costs, indirect personnel-- the time study people, the foremen, supervisors, office workers, etc., employees of that general nature--anyone outside the direct labor category. Again, a study we made literally shocked our client; the head of manufacturing refused to admit this condition existed, and hauled out a little black book of wage rate figures, and when he checked them he was quite chagrined to find he couldn't disagree with the figures. He found that in this company's Southern plant, or plants, fifty percent of the indirect workers were getting as much as twenty percent more in pay than their counterparts were getting in the company's Northern mills. And that is not a unique situation. Higher rates of pay in the South have for a long time characterized skilled workers such as electricians. These comparisons have recently been taken from the Bureau of Labor Statistics' reports for July 1952. Electricians in Milwaukee get $2.60 an hour; in Memphis, Tennessee--which I understand literally flods some of the manufacturers in this area with all sorts of attractive brochures about the advantages of doing business in the State of Tennessee--the wage rate is $2.75, in Columbus it is $2.63; for plumbers the rate is $2.70 in Milwaukee, $2.75 in Columbus, $2.80 in Memphis. These are straws in the wind, I submit, and they are the kind of straws that a lot of people haven't taken the time to pull out and evaluate in terms of what is likely to be the actual cost of operating a plant if they decide to locate in some other part of the country that is not as favorably situated with respect to markets and raw materials. The same picture is true on clerical rates of pay. I will skip the figures because I think we are perhaps running a little behind time, but please take my word for it, when you go down South you can expect to pay fully as much, even in a city like Atlanta, and in Dallas you pay more.

Part of the wage costs of business organizations today are fringe benefits. Here we find the same situation. Some companies, even though they are not unionized, and we frequently hear the lack of labor unions is one of the big inducements of a southern location, are finding that it is becoming more and more desirable to offer fully as much in the way of fringe benefits in the South as in the North; and the main reason they do it is to keep the labor unions out. I know of one company that voluntarily provides pension benefits that cost considerably more in its southern plant than the payments it made to the union pension fund in its northern plants. And again we have government figures on the extent of fringe benefits in various southern locations which indicate that a good many southern communities, at least for whom this information is available, have caught up with or surpassed northern communities in the extent of coverage as far as fringe benefits are concerned.

There is another aspect to the labor picture, and then I will touch on taxes and we can call it an evening. This other part of the labor picture has already been referred to a bit in the various discussions- what I would characterize as the inflexibility of labor in the south. This is particularly true of the metal fabricating and metal using trades. A number of companies in this part of the country, I understand, have made studies from time to time of possible locations in the south. One of the reasons that they have decided to remain here is that the supply of skilled labor in the metal trades just does not exist in sufficient volume in the south, and that is particularly true if once after you locate down there, you enjoy a spurt of business and have to expand your operations. You may be able to staff a plant of 100 people, and if fortune smiles and you need to expand to 200, you might have a difficult time recruiting the personnel you need.

Tied in is a very important second point--the versatility of labor. I talked to a number of business men who feel this way about the situation. They say if what we are talking about is a relatively unskilled class of labor, the kind to run a sheeting mill for instance, sure, they can do a lot better for themselves if they go south. But as soon as they go into the kind of production that is characterized by changes in the production line, as in certain classifications of apparel like women's wear, where there are seasonal changes, and the line one year is completely different than the previous year, people who have had experience with that type of production line say that the southern worker in many cases finds it difficult to adapt himself to production line changes. In fact, one fellow I know went so far as to say that they went completely to pieces, and the company had to pull back their operations to where they could take it.

I hope that nobody will feel from what I have said here that I am trying to suggest that it is completely wrong for industry to ever consider locating in the south. All I am trying to bring out is that as you sit back and try to appraise the advantages of the Great Lakes Area, it seems to me that there are certain trends going on in this pattern of operating costs that you and your customers or your clients should be thoroughly aware of, and I feel personally that if they are aware of them you will improve your ability to sell them on the Great Lakes Area.

Let's just take a quick look at the tax picture, because I think in certain states of the Great Lakes Area that has been a tough problem. Unfortunately there isn't much on comparative tax data. Several studies were made--one in my State of Massachusetts, another by a student at the University of North Carolina. These studies may be subject to certain limitations and qualifications, but I offer them to you as practically the only comparative data available, and they do seem to tie in with the information that I have gathered verbally from various business men not only in this group but elsewhere.

The State of Massachusetts was concerned about the high level of taxes in Massachusets, and decided to take twenty Massachusetts companies and locate them in several different communities in the United States--and one, incidentally, was Lansing--to find out the tax load. They sent blueprints and all sorts of data to permit the local appraisers to arrive at a fair valuation of the tax load, and they found that with Massachusetts as an index figure of 100, Lansing's tax rate would be 97, South Bend's, 80, and Charlotte, North Carolina would be 113, which doesn't make that part of the south sound like a very desirable place to locate.

I had occasion to play a part in a comparative study for one company that involved the State of Georgia, and much to the surprise of that company, its tax agents came up with the facts that the tax load in the State of Georgia was higher than the northern community where that company was located.

Mr. Floyd, the student at the University of North Carolina who made a study of a hosiery company and a furniture company, two companies actually operating in the State of North Carolina, went to the tax authorities in North Carolina and got the tax returns. So he would have the information on what it would be in other locations, he tried to get the tax load in nineteen different states; and this is perhaps the biggest shocker of all- Ohio consistently turns out as the lowest tax state; Mississippi, which has probably done as much as any other state I know of to beat the drums for its low taxes, turns up in one case to be the highest, and in another the second highest. Michigan and Indiana, in that order, are the next lowest behind Ohio; while going to the other end of the scale, Arkansas, Illinois, North Carolina, South Carolina and Georgia are at the high end of the scale.

Even when we turn to the picture of unemployment taxes we find that Indiana, Ohio and Illinois are relatively low cost states, while Louisiana, North Carolina, Tennessee, Mississippi, Georgia and Arkansas are in the upper half as far as tax load is concerned, according to a study made in New York several years ago.

These are factors that I offer to you as some of the conditions that seem to be developing and for which in many cases there is a very logical explanation, one being that as these southern communities have expanded, there has been a growing demand for increased community services and government provided facilities of all kinds--hospitals, police, housing, schools--these all have to be paid for, and I might say they have to be paid for even though a community induces industry to move in on a partial or completely tax-exempt basis. More and more, industry seems to be coming to the conclusion that it doesn't pay to take advantage of local tax exemptions, because somebody has to foot the bill, and if you don't today, you are probably deferring until tomorrow the cost of financing government in the area in which you decide to locate. So here we have a tendency that seems to be developing, and I can't emphasize too much that many of these conditions seem to have come up to the point that I have mentioned here only in the past year or two.

As a matter of fact, if you look at the changes in the level of wage rates in some Southern communities in a period of twelve months'time, I think you would be quite shocked at the amount by which the increase in the Southern rates has exceeded the increase in the Northern rates. There will be communities in the South that don't fit into this pattern; I am sure there are communities in this part of the country that don't fit into the Columbus or Indianapolis or Detroit or Cleveland or Chicago pattern; so if anybody is making comparisons it is important to compare equals, and not make the mistake that management I am afraid all too frequently makes of comparing operations in a large Northern community with a small, back-water town in the Southeastern part of the country.

If we go back to our original pattern of three reasons--the three basic reasons or factors that influence the profitability of operations--maybe we can agree that as far as the market opportunity is concerned, there is no section of the country that offers more than the region that you people are doing business in. As far as the availability of raw materials is concerned, it seems to me that there are many advantages that industry would enjoy in this part of the country that it would lose in other sections. So that brings us down to the third factor of operating costs; and if this pattern that I have suggested here is at all applicable to any of the companies you know that are thinking of locating here or some place else, maybe you can persuade them to take a pretty careful look at the picture before they make up their minds; and I hope for your sake and the Great Lakes States that they decide this is the part of the country they want to be in.

Morning Meeting, January 8, 1954

Presiding:
Harry Shearer, assistant secretary Detroit Board of Commerce

Symposium: THE RELATIVE INFLUENCE OF "MANAGEMENT FACTORS" AND "LOCATION FACTORS" FROM THE POINT OF VIEW OF INDUSTRIAL DEVELOPMENT

Chairman:
Cliff Gildersleeve, industrial commissioner Cleveland Chamber of Commerce

Panel Members:
Peter Altman, engineering consultant, Detroit
Ray Hartman, area development salesman, Cleveland Electric Illuminating Co.
Maurice Fulton, Chicago manager Fantus Factory Locating Service
John Tomb, McKinsey and Co., management consultants, Chicago

The first speaker, Peter Altman, vice-president, Continental Motors, Detroit, outlined the method his company uses to weigh the advantages of a given community when considering an expansion or relocation.

He cited the four reasons listed below as the most usual ones that bring about plant expansion or plant relocation. They are:
A present shortage of adequate facilities;
The introduction of a new product into the line;
A lack of suitable manpower;
Personalities.

Not infrequently this latter point--personalities--is a predominant reason for the relocation or expansion of a plant apart from its present operation. Considered here, also, are the prevailing local conditions in the community. In any event, there is seldom a single answer to the problems which cause a company to move its operation from its present location.

In pointing out the general point of view held by Continental Motors in analyzing locations for new facilities, Mr. Altman stressed the fact that his company is thinking mainly in terms of technical and mechanical skills, along with the necessary and needed management to operate this type facility.

The first procedure in setting up an expansion or relocation program is to adopt a table of merit, listing particular factors such as people, sources of supply, utilities, educational facilities, taxes, salary scales, labor rates, and community attitudes. All these factors are identified and weighted according to their importance to the particular type operation to be undertaken. It is important to realize from the outset that the ideal will never be reached, but that the area chosen for relocation or expansion will be the best compromise between all the various factors involved.

Any program has as its first and most important consideration, people--those persons who will be charged with the responsibility of staffing and operating the facility. Full consideration is given as to whether staff personnel and skilled technicians will be moved from the existing operation to the new plant or whether all personnel will be recruited from the new area.

Investigations are made as to the locations of sources of supply for the new operation, the cost of transporting raw materials to the new production lines, and the availability of subcontractors in the new established area. Another important consideration is the location of markets and the shipping costs that ensue as the result of the new location. A new area also undergoes thorough investigation as to the availability and cost of utilities, such as water, gas, and electricity, and what kind of cooperation can be expected from the utility companies and local governments in extending power and gas lines. The utility system, depending upon the type of operation considered, often plays an important part in relocation or expansion plans.

Mr. Altman particularly stressed the predominant place that the local educational facilities play in the present expansion and relocation plans. This has taken on added importance to manufacturers since quality control plays a most necessary part in any successful operation. There are many companies who do not now have proper testing and laboratory facilities and are dependent, to a large degree, upon laboratory facilities and testing equipment available in universities and colleges. Apart from this physical-technical skill, nearness of educational facilities provide the new operation with a choice supply of capable personnel.

In considering the weight that should be given to the labor cost factor, Mr. Altman emphasized that the base scale is not the all-important question, but extensive consideration should be given to the production work that comes from the payroll dollar. A criterion used in considering this factor is not necessarily the prevailing wage rate, but the productivity of the workers in relation to the going wage rate.

The final consideration that is given to expansion or relocation areas is the general community attitude toward the establishment of a new plant. Unless the community genuinely welcomes the new plant into its economic, social and cultural family, no company will seriously consider establishing itself in that area.

When the work of gathering these facts and weighing them according to the individual merits, is completed, and usually this is done by a committee charged with location or expansion responsibility, the material is presented to the executive committee for consideration. From this committee comes the final decision as to which area the company will move to.

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The second speaker, Ray Hartman, prefaced his remarks by mentioning the great amount of research time necessary on the part of a utility company staff to gather the facts and present them to an industry for consideration preparatory to their proposed expansion move. He pointed out that a given company has certain basic problems in which they are more interested in than others, and these must be given every due consideration when presenting factual information to that company.

Mr. Hartman included under three broad headings all the various factors that an industry wishes to consider before relocating. These three headings are: economic, political, and social. Under these come all the facts that are considered for a new location, such as markets, labor conditions, taxes, railroads, sources of supply, utilities and residential characteristics.

Mr. Hartman reiterated the previous speaker's point that an industry is greatly concerned with the people in the locale where they plan on setting up a new facility. He stressed the fact that population information is most important and must be correct. In many instances, industry does not want to be responsible for more than 10% of the labor force in any given area. In every case they want to know all sides of the labor story, not just one side. Plants coming into the area served by Mr. Hartman are seldom worried about the prevailing labor rates. They simply want to be sure that they do nothing to upset the current rates. He remarked also that industries are now considering to a greater degree the political complexion of a community before settling there.

Industry is interested to know what type of zoning obtains, and kinds of services rendered. Company representatives want to talk to public officials in terms of job opportunities, and to ascertain the attitude of the entire governmental structure towards the industry. They are interested in school facilities, and the police and fire protection that can be expected. They are not particularly interested in obtaining any tax favors, but are very positive in obtaining equitable tax rates.

Management is also concerned with the social background of the community. They want to know the occupational history of the area, and how these skills would fit into their picture of operations. This is of particular importance to some industries, in that they would be able to ascertain the number of new personnel that would need education in their jobs, and at the same time management would be able to gather in new workers that would require a minimum of educational training. Along with this goes an investigation of the community's school facilities, and the occupational skills these schools teach.

Lastly, industry is interested to know of the mental attitudes of the community, the people, and its organizations toward accepting a new industry in their midst; and in the last analysis it is this team effort on the part of the community to prove to management that they not only have a willingness, but a keen desire to have an industry locate with them, that is the final selling point.

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According to the next speaker, Maurice Fulton, industry locations are pretty much a dogma that can be traced reasonably well by such instrumnts as the BILF (Basic Industrial Location Factors) published by the U. S. Dept. of Commerce. Some industries, weigh certain factors more heavily than others, but this, of course, is entirely dependent upon the situation prevailing within the particular industry. Certain set examples would be: the aluminum industry which makes water supply an all-important factor, producers of chemicals, or an industry which is producing for a single customer.

Mr. Fulton, however, concerned himself in his talk with the case of a manufacturer looking for a relocation or expansion move who has a freedom of choice, with no particular or unusual requirements. He points out, first of all, that there often exists a difference of opinions between officials within a company as to the best spot in which to locate. He gave, as an example, two vice-presidents, each with equal weight in determining the matter of relocation. One official preferred a small community and the other vice-president preferred a large city. One was able to muster convincing reasons for the selection of a rural community, and the other for the selection of a metropolitan area; perfectly legitimate cases could be made for the establishment of industry in both areas. The point that the speaker wanted to make here was that a location is a matter of compromising the best points of all factors considered in making such a selection.

Mr. Fulton stated that the first procedure Fantus uses is to determine from the company with which they are working what particular factors are significant to that company. He stated that this is a very difficult process because the companies do not have readily catalogued the weighted factors necessary for consideration in making a move; an example of this is the determination of how many people will be on the new payroll, how many of these people must be skilled, and how many can the company afford to train. In this regard, he stated that the trend in industry now is toward a greater degree of training by industry itself, rather than an expectation on the part of business to hire trained personnel locally. This is largely due to the fact that there is a lack of desire on the part of young men to take apprentice training, and also because of the prevailing shortage of skilled labor.

A second very important factor that Fantus tries to determine at the outset is the general area in which the industry is interested. This determination is made in some instances by detailed system of graphs to determine present sales, history of past sales, feature sales and potential sales. In this system attention is given to detailed market analyses, suppliers, and other allied items.

The third important factor emphasized by Mr. Fulton are the intangibles that enter into the selection of a location. For each industry these are individual items and cannot be generalized upon. In closing, he remarked that no company gets the ideal location, but it is always a matter of compromising and weighing the strong points of one area against those of another area.

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The final speaker, John Tomb, stated that an industry considering plant relocation or expansion must have a thorough understanding of both the external and the internal questions that need to be answered prior to selecting a particular area. In his remarks, Mr. Tomb investigated entirely the internal analysis that a company should make of itself prior to moving from the present facility. In considering this, he stressed the part that the community must play in keeping its present industry satisfied.

By citing personal experiences that have been encountered in New England, the speaker showed the great need for self-analysis on the part of industry preceding any contemplated move. In one instance, a New England woolen manufacturer blamed his poor production output on the improper location of his plant. In the same vicinity, however, a plant with parallel facilities and employment produced six times again the output of the first manufacturer.

This point was made by several other illustrative cases. Such personal cases brought out in a very vivid way that management does not always move for considered and positive reasons, but often the reasons for moving do not have a basis in fact. He also remarked that labor and transport costs are tending to become equal in all parts of the country and less and less a factor for plant location moves.

It is Mr. Tomb's considered opinion that industry must examine its own internal operations such as market research analysis, engineering services, factory layout, process improvement, production and planning techniques, which will cancel out need for excessive inventories before deciding upon a new or expanded location. It is necessary to compare the company with successful businesses throughout the country in order to determine if they are failing to do those things which successful business does as a matter of course.

In all this work, Mr. Tomb pointed out that the existing industrial group in the community should have, as its first consideration, a meeting with representatives of industry in their locale, and investigate and analyze in a very businesslike way these factors.

In closing, the speaker pointed out that if management will get its own house in order, location may become a secondary issue, and that the community can play a very helpful part in assisting management to review its own internal structure.

"METROPOLITAN AREA INDUSTRIAL DEVELOPMENT PROBLEMS"

By Paul Reid, planning analyst, Detroit Metropolitan Area Regional Planning Commission

Importance of Metropolitan Areas

From the standpoint of industrial development, the most outstanding feature of growth in our nation over the past 15 years has been the expansion of our metropolitan areas, economically and population-wise.

In the five Great Lakes states, the Bureau of the Census lists 37 standard metropolitan areas. Of these, 32 are wholly within the five states, while 5 have major or minor parts in adjoining states.

The latest official figures we have on manufacturing employment are for 1947. In that year, the five Great Lakes states had a total of 4,317,812 people employed in manufacturing enterprises. The 37 standard metropolitan areas accounted for 3,220,415 or 74.6 percent of this total manufacturing employment.

According to the 1950 Census, our five Great Lakes states had a total population of 30,399,368. Our 37 standard metropolitan areas (each over 90,000 in population) accounted for 18,796,107 or 61.8 percent of the sum of the population of the five states.

It is within this framework--this structure of 5 states, dotted with metropolitan concentrations of population and manufacturing--that we should view the industrial development problems and the current problems of these five mighty Great Lakes states.

As an added indicator of the importance of our metropolitan areas, let me cite some figures compiled by the Territorial Information Department of the Commonwealth Edison Company of Northern Illinois....In the 7 years from July 1945 to July 1952, a total of over 2.6 billion dollars was spent on new industrial plants in the 20 major metropolitan areas of the United States. Their share of the total construction investment was $1,005,938,000 or 38.3% of the total. No other area in the nation made such a significant addition to its basic industrial structure!

Location of Industrial Expansion

A very considerable part of this new industrial growth has taken place outside the central cities of these metropolitan areas. As you probably know, a metropolitan area--according to the Bureau of the Census--is a central city (or cities) with a population of 50,000 or more and the adjoining counties with a non-farm population of 10,000 or more each and with close economic relationships to the central city or cities.

I have not had time to assemble data on other metropolitan areas regarding industrial growth outside the central city. But here are the figures for the Detroit metropolitan area which covers the 3 counties of Wayne, Oakland and Macomb. From the fall of 1950 to the spring of 1953, tax amortizations granted by the federal government showed that a total of $467,471,000 was expended for new plants, plant additions and equipment in the Detroit metropolitan area. Now only 21% of these expenditures were for industrial construction and equipment <u>within</u>

the central city of Detroit; 79% was expended <u>outside</u> in the suburban and peripheral areas. In other words, about 4 times as much was expended for industrial expansion outside the central city as inside. During the same period, 65% of the dollar volume of defense orders went to plants outside the center and only 35% to manufacturing plants within the city of Detroit.

Implications and Problems

There are probably many "why's" for this dispersion and growth of industrial enterprise outside the central cities within our metropolitan areas. Certainly two of the most important are: the need for more space for expansion and efficient operation, and the desire and economic need to get away from the friction of traffic in our congested central cities.

This dispersion and diffusion of manufacturing in the open areas surrounding our central cities has many good aspects.

For the MANUFACTURER it has meant:
- Ample room in which to build efficient, one-story structures;
- Room for off-street loading docks;
- Parking space for workers' cars;
- Land at a reasonable price for future expansion and development of the enterprise.

For the METROPOLITAN AREA it has meant:
- Some relief from traffic congestion--actual and potential--within the central city;
- A 'higher' use of idle or farm land or vacant land;
- A significant increase in the economic base of the area.

For the INDIVIDUAL COMMUNITY (city, village or township), it has meant:
- An increase in the tax base;
- Employment for some of its residents;
- Expansion of retail and service trades;
- A shorter journey-to-work for some of its citizens, because of location of new plant.

BUT__because of the multiplicity of local units of government in our metropolitan areas and the checker-board, hop-skip-and-jump arrangement of these governmental jurisdictions, in many cases this industrial expansion beyond the central city borders has given rise to a whole series of serious problems.

For the INDUSTRIALIST, it has meant in too many cases:
- Difficulty in obtaining necessary public facilities, such as water, sewer lines, streets and highways, and even adequate fire protection;
- Longer journey-to-work for many employees with the resulting nervous tensions and lowering of efficiency from driving through heavy traffic to reach the outlying plant.
- The difficulty of dealing with rural-minded local officials that often tend to be parasitic instead of cooperative toward the new industrial development.

For the METROPOLITAN AREA it has often meant:
- Expensive string installations of public facilities;
- New traffic congestion patterns at unexpected points;
- An uneven and irregular rate of development in peripheral areas, with some communities prospering and others suffering from the land use pattern brought about by new industrial developments.

For the INDIVIDUAL COMMUNITY, it has meant in some cases:
- An influx of new residents who work in a nearby community but who must be given school, street, water, sewer and other public facilities where they live;
- More workers in the new plants than the community can house;
- Absentee management and ownership, depriving the growing community of the civic and governmental leadership that management and ownership provide where they live, not where their business is located.

I want to stress this last point with the example of a large public utility in Detroit and the surrounding area. Its executives live in the suburban communities and take an active part in the community life.

I'm not waving the crying towel. I'm simply trying to point out some of the problems of industrial development as I have observed and experienced them in one metropolitan area over the past 5 years. I trust these problems are typical. I would not continue in the job I hold, or even presume to raise these problems here if I didn't think something constructive could be done about them. I had a public speaking teacher in high school who used to say; "Either put fire in your speech, or put your speech in the fire". Let's see if we can use this fire to forge something better for the future in the character of metropolitan industrial development.

Strategy for the Future

These are the points to outline as a program for the future. It seems to me that the facts and conditions of today require that we view industrial development on a metropolitan basis.

The economic dynamic that has resulted in our metropolitan manufacturing complex is sound. It is the arrangement of the various enterprises, the **use** of the land in our peripheries in the best possible and most rational way that is the major consideration. The physical environment and layout of the whole metropolitan area is of vital concern to successful industrial enterprise. The economic health of the central city is related to that of its suburbs and satellites. And the economic well-being of each community in the periphery depends in the long run on the conditions of manufacture, trade and commerce in the whole area, so we ought to take a metropolitan viewpoint for our industry.

Some governmental agency or civic association should have the responsibility for creating a sound land-use plan for the entire metropolitan area, allocating in the proper places ample land for industrial development, residential construction, trafficways, park and recreation areas and central commercial enterprises. Sound and rational zoning can only develop on the basis of a plan first.

Areas for industrial land use, in this all-over plan, need to be laid out along or near the major arteries of transportation--rail and highway.

The railroad industrial men work earnestly and long--and justifiably so--for the location of new industrial enterprises along their rights of way. But most of them know, as you know, that not all industry wants, needs or will accept sites along rail lines; most of the heavy industries do, and also those light industries that require vast quantities of raw or semi-finished materials that can be moved efficiently only by rail transportation. Many light and smaller industries thrive well along major highways and should not clutter up good rail sites. These off-rail industries should be planned for as well as residential areas which should not clutter up rail sites.

Last spring, Jack Howard - vice president of the American Institute of Planners prepared a very important paper on the subject: "The Express Highway: Its Industrial Development Potential". He took the city and state planners to task for negligence and ineptitude. Planners, he maintained, are certainly well aware of the impact of expressway programs on industrial location, but they don't seem to be bringing their areas of knowledge to bear on the problem of the location of these highways. With all five of the Great Lakes states now building or planning more expressways, many of them through, around or near the metropolitan areas, it is high time that planners and industrial developers get together with state highway departments and increase the opportunities for industrial growth that the economic and efficient locations of these new highways present.

Obviously residential development in the peripheries of our metropolitan areas must be related to industrial developments.

The long journeys-to-work, the traffic snarls and hazards, the high employment turn-over due to lack of housing near new plants must all be reduced to a great degree if our industrial development is to be sound and lasting. Here the industrialists as well as the local communities and the entire metropolitan area must be concerned. The finest of engineering skills and construction practices are utilized to erect efficient production plants. But seldom is the same quality of thought, ingenuity and promotion expended on the problem of homes for the workers close to these plants. An example is the lack of adequate housing close to the Willow Run plant, which was a major cause of large labor turn-over in the Kaiser-Fraser manufacturing activities.

With manufacturing and residential areas laid out in the metropolitan area in a rational and liveable pattern, it is also obvious that a master plant of public facilities -- water, sewer, and highways -- must complement this land allocation to make it effective. In many of our metropolitan areas the only adequate solution seems to be a metropolitan water and sewer authority that can make these extensions on an areawide scale.

And finally, any sound plan for desirable and efficient metropolitan development must rest on comprehensive and penetrating research to lay bare the past trends of industrial development, assess the current growth and dispersion and estimate the future potential of the area.

It seems to me that we have as much a responsibility to protect our communities and people against bad economic development as we do to promote good development. Sound research and planning are basic to and should precede in time and thought any promotional program. And in the Detroit area we are finding that research and planning, when properly done, are not only basic but also extremely helpful to the promotion program itself.

Our metropolitan areas are actually families of communities. The economic health and civic welfare of each is related to the others, closely and legitimately related because of their integration of functions.

Summary

Most of the industrial development in the Great Lakes states in the future will take place in our metropolitan areas.

Sound development must be planned and oriented to the total metropolitan area basis--physically, economically, and socially.

Afternoon Meeting, January 8, 1954

Presiding:

Charles Crabb, manager industries division Milwaukee Association of Commerce

Panel Discussion: INDUSTRIAL PROMOTION TRENDS AND THE PLANT LOCATION OUTLOOK FOR 1954

Chairman:

F. R. Henreken, executive director Committee of 100 of South Bend and Mishawaka, Indiana

Panel Members:

Horace Brewer, industrial development director, Consumers Power Company, Jackson

Koder Collison, of the Springfield, Ohio Development Commission

Roger Hubbard, Hubbard Associates, industrial realtors, Detroit president Michigan Chapter Society of Industrial Realtors

Maurice Fulton, Chicago manager Fantus Factory Locating Service

Unlike the panel sessions preceding this, the panel members, as introduced, were called on to make only brief remarks concerning their viewpoints of the discussion subject, so that the major portion of the time could be devoted to group discussion.

Horace Brewer read excerpts from an editorial appearing in the January 4th edition of the Tupelo, Mississippi, Daily Journal about expenditures for industrial development in the South and about the competitive aspects of TVA vs. the private power company as it affects industrial development. He also reported the change his company has noted in purchasing techniques in recent months--that salesmen are now calling on Consumers Power Company's purchasing department--the first evidence of sales efforts since materials became so difficult to obtain. He feels their company, too, must make greater effort to sell their services as we are now approaching an era of competitive markets.

Koder Collison evidenced optimism concerning the future outlook although he feels there is bound to be a leveling-off process which has now begun. But it will be of short duration and by 1960 another boom may be expected which will be related to the increase in population. He indicated the need for more thorough study and consideration of industrial zoning problems in our communities for the protection of existing and new industry, particularly as it relates to the encroachment of housing developments. He stated that Springfield, Ohio is working on the zoning of 3,000 acres for industrial use. Mr. Collison stressed the importance of co-operation and the elimination of jealousies between all persons and groups interested in the industrial development of our communities, states, and areas.

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Roger Hubbard, who admittedly is optimistic about the future, indicated his feeling is in part based on the results of a recent survey completed by the National Association of Real Estate Boards. This showed that the market would continue equally good for the next six months and possibly better in the following six months, with perhaps a small drop (5 to 10%) in total business to be expected but with the overall demand for plants continuing. He noted the shortage of good sites in Detroit and immediate vicinity, and the current demand for existing facilities. He also mentioned an activity of the Society of Industrial Realtors in Michigan which has become an annual event--the tour of various communities in the state which want new industries or have available plant facilities. The benefits are two-fold--providing the industrial realtors with first-hand information about the communities which enables them to do a better selling job, and also making the local people feel there is more help available to them in the field of industrial development.

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Maurice Fulton indicated that he didn't feel quite as optimistic as the others--perhaps because of the varied sources of his information. He estimated a decline of 8% in manufacturing spending in 1954 which will still leave it at a high level. He predicts the retail and service trades will go beyond that of 1953. In general, new industry will probably be harder to get because of a greater awareness and interest in this activity. Some stimulus for greater activity should result through removal of the excess profits tax; through an increase in tax write-offs on buildings and equipment; if there is evidence of a truly lasting peace; through development of automation; and other economic adjustments. Looking considerably into the future, Mr. Fulton touched on the completely different problems which will affect industrial development planning in case of the advent of industrial automation. Greater reliance will be placed upon specific types of labor such as skilled machinists, upon instrumentation and controls. The amount of land required will be a lot less. He stressed the need for everyone who is concerned with industrial development to work harder and pointed out the importance of an area organization such as the Great Lakes States Council in furthering such a program.

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At this point questions concerning the panel subject were invited. Answers to some of these were--(1) that if there is any trend of industry returning or locating in the large urban centers, in spite of the generally accepted dispersal idea, it is due largely to the availability of skilled labor, existing utilities,

shorter driving distances, and in some instances, lower tax rates than in those areas where needed utility and other services must be extended to serve industry; that while sites in these larger cities are not plentiful there is land in the so-called blighted sections which could be used for industry and which when made available is quickly picked up; (2) That a scanning of the "help wanted" section of the newspapers will reflect the need of industry for skilled help in spite of the front-page headlines concerning major lay-offs; that this again indicates the need for revamping the apprenticeship programs to more adequately provide training for the unskilled workers; (3) that varied methods must be employed to make some of the communities desiring industry aware of the sales efforts necessary on their part, such as: selecting good leadership; stressing the fact that if they make their community the best one in which to live, they will have a well balanced economy and can interest new industry; educating local residents to become salesmen of their communities; using on local officials which need to be sold, the so-called magic formula of how much each job in a community means to the merchants, the service trades, and in increased tax returns, etc.; the "business-industry-education" programs which have been so successful in many communities; and greater consideration of qualifications of those persons elected to public offices.

Another question or comment concerned the evident lack of consideration of the dispersal of industry program in the interest of national security. This comment was ably handled by the succeeding speaker, Colonel Ted Enter. It was generally agreed that the average industry seeking a new location needs the help of those who have made studies of the communities' assets, as too often a site is purchased without the assurance of adequate power, roads, railroad spurs, etc.

"NATIONAL SECURITY POLICIES IN INDUSTRIAL LOCATION"

By Colonel Ted Enter, director continuity of industry division of the non-military defense staff, Office of Defense Mobilization, Washington, D.C.

President Eisenhower, in a recent talk to regional and state Civil Defense Directors, commiserated with them on the problem of giving the public sufficient information to arouse them to action without indulging in "scare" propaganda. This problem is of much concern to the ODM in trying to furnish guidance to industry and communities on realistic programs designed to assure continuing production in event of attack. The enlightenment of industrial and community leaders is essential to the planning programs that must be undertaken if we are to protect our industrial potential and assure our national survival. This problem of preparing a defense for our industrial capacity in event of attack has been of great concern to President Eisenhower. He recently stated "We must conclude that the Soviets now have the capability of atomic attack on us, and such capability will increase with the passage of time". This, of course, poses a problem to which both industry and government must give grave consideration.

Now, without resorting to "scare" propaganda, let's just look at the capability in terms of our national safety.

The Soviets have the bomb and can deliver it on U. S. continental targets.

Our present defense against aircraft launched against us is based on the concept of radar and interceptors around our national perimeters, supported by terminal defenses at the principal targets.

The most optimistic estimates by our Joint Chiefs of Staff lead to 30% kill under the most favorable defense circumstances, 7 out of 10 get thru, decreasing considerably under less than the most favorable circumstances of defense. Certainly the most favorable circumstances would not obtain in a surprise attack.

Industrial centers will be prime targets. The U. S. having twice attained victory in war through the mobilization of our industrial might, it would be fool-hardy of any enemy not to destroy or immobilize this potential, if possible, at the very outset of hostilities.

Therefore, we may further conclude that our industrial centers may become "frontline" targets and that, for the first time in our history, industry may be faced with the problem of production while under attack.

Let's look, for a moment, at what "attack" can mean in terms of the air-atomic age. To get on a firm ground of comparison, let's take the Nagasaki bomb--known as the nominal bomb of 1X = an energy release of 20,000 tons of TNT. This is equivalent to 4 freight trains of 100 cars each, fully loaded with TNT. Flash back now to conventional bombs of WW II--our largest bomb was the blockbuster--10 tons of TNT.

Now let's compare employment of weapons--conventional and atomic. In our three major raids on Hamburg during the last days of July 1943, we used 2100 4-engine aircraft, dropped 7200 tons of HE, and casualties amounted to approximately 75,000 killed or missing and 12.5 square miles of metropolitan area destroyed.

Then the A-Bomb at Nagasaki! One bomb, the equivalent of 20,000 tons of TNT. One Airplane! From 75,000 to 100,000 people killed or missing and 5 square miles of metropolitan area destroyed. That still only brings us up to August of 1945.

As you are all aware, the progress of weapons techniques, since then, has been staggering. To bring us to date, I have only to remind you of President Eisenhower's remark in his recent talk at the United Nations wherein he pointed out that: "Atomic bombs today are more than 25 times as powerful as the weapons with which the atomic age dawned, while the hydrogen weapons are in the ranges of millions of tons of TNT equivalent." Today, the U. S. stockpile of atomic weapons, which of course increases daily, exceeds by many times the explosive equivalent of the total of all bombs and all shells that came from every plane and every gun in every theater of WW II.

The march of progress of weapons has been truly staggering in our brief life span! The progress of delivery techniques has been equally astounding, ranging from the speed-of-sound jet-propelled aircraft to many times faster guided missiles, with the intercontinental missile looming on the horizon.

But has the march of progress within industry been of equal proportions as regards security from the very weapons it has produced? A fearful doubt exists when we note that 71% of our productive capacity and 54% of our industrial workers are contained in 50 of our metropolitan areas! These centers of industry and population are such lucrative targets that they present an open invitation to mass attack by an enemy increasingly capable of using atomic and other weapons of mass destruction. These cities could be seriously damaged or destroyed by a certain number of conventional and atomic bombs, and it is assumed that this number will be available to the enemy and the planes to carry them.

In undertaking our Industrial Defense we must first, of course, be assured of as much direct military defense as possible. This leads us to the highly-complex and controversial subject of continental defense. It is extremely important that we maintain a balanced view of the relative effectiveness of the various means we have of defending ourselves against attack. The pitfall of "Maginot Line" thinking can be applied to over-reliance on any one means to the exclusion of others. The U. S. will continue, of course, to place its major hope of peace both in the United Nations and in our own efforts to win over those bent on aggression to World Peace.

We will continue to base our military defenses primarily on the deterrent strength of a strategic retaliatory striking force, and the maximum early warning possible by establishing an effective radar "fence" system plus necessary interceptor forces. But, least a reckless enemy gamble on gaining an early victory by launching a surprise attack aimed at knocking out both our strategic bases and our industrial might in the initial blow, we must be prepared to defend ourselves against an "Atomic Pearl Harbor".

Since we know there can never be a "perfect" military defense, we must, finally, pay increasing attention to the non-military measures that can be taken to reduce our vulnerability to attack and to deal with the effects of attack. These measures are necessary to enable us to recover after attack and support the military forces required to restore peace. While there may be some difference of opinion as to the number and size of bombs that Russia will possess at any given time, there can be no doubt that the leaders in the Kremlin alone have the capability to choose the time and destination for delivery of a mass attack on our centers of population and government.

Just as the military must, and are doing everything within their capability to warn, to intercept and to minimize the impact of an attack so must we as a civilian complementing force, pick up where the military leaves off. We must undertake all non-military defense measures within our resources and abilities, which will lead to reduction of our industrial concentrations and provide reasonable assurance that our great industrial capacity will be available after attack.

In examining the problem of our industrial vulnerability, we find alarming concentrations of critical production capacity in just a few of our target cities. There are disturbing situations, as I am sure most of you are aware, of cases where only one target city contains all or a major portion of the capacity for specific highly-critical products. The loss of such output will paralyze vast segments of other industries dependent upon them and will result in shortages of military end-items when they might be most critically needed.

To put this into more local context, I note that during 1952 the East North Central States, comprising Ohio, Indiana, Illinois, Michigan, and Wisconsin, account for 1/3 of the total dollar value added by manufactures in the U. S. Of this amount, however, 75% was concentrated in facilities located in the major urban centers within these few states. Even more important is the fact that if we look at certain selected industries that are most important from a defense production viewpoiht--such as chemicals, petroleum, rubber, primary metals, fabricated metals, machinery, electrical machinery, and transportation equipment--we find that 42% of U. S. production, based on value added, is located in this region. In addition, when we look at some of the most important individual products, we find that: 100% of the national total of tantalum, 75% of molybdenum, 100% of precision horizontal boring machines, 100% of radial drills, 100% of capacitors, and 46% of jet engine blades are produced in target areas within this region. The loss of production of any of these products would have a tremendous effect upon our industrial mobilization capacity to produce the munitions of war. Now, let's look at some of the things we may be able to do about this problem.

For the purpose of developing policies and programs to meet the threat of attack upon the continental U. S., Dr. Flemming, Dir. of ODM, organized the Non-Military Defense Staff, headed by Lt. General Willard S. Paul. The Non-Military Defense area in ODM deals with both Continuity of Government and Industry. The Continuity of Industry Program has the objective of developing the policies and procedures which will assure essential production under attack conditions. Principal among these programs are:

Industrial Dispersion and Production Continuity Measures. The national policy for industrial dispersion was announced by the President in August 1951 to assure relatively greater security of the nation's industrial plant from atom-bomb attack through proper spacing of additions to productive capacity. It provides that new defense-supporting production facilities be located 10 or more miles from highly industrialized or densely populated sections or from major military installations.

The Federal Government has made proper location of a new defense plant a condition for receiving defense-production assistance. Such aid takes the form of certificates of necessity (the accelerated tax amortization privilege) and defense loans, as well as procurement placement. Industrial Dispersion is the employment of the simple military measure of using space for defense against attack.

This creates a multiplicity of targets and thus reduces the vulnerability of any one concentration. It is designed to disperse new and expanding industry--not to move established industry. The long-range objective of Industrial Dispersion is the carrying out of the natural industrial expansion away from congested centers. This movement has been under way for a number of years and the dispersion program encourages and speeds the loosening up of the industrially congested target centers.

Today many advantages accrue to industry from locating facilities outside of the highly-congested urban centers. More and more dispersed sites offer attractive economic advantages as well as the security that your facility will not be a "sitting duck" in a target zone. Continued emphasis must be put on industrial dispersion.

Effective results can stem from the assistance given by local communities. In this regard, some 89 industrial dispersion committees in major metropolitan areas serve as local advisers to industry seeking dispersed sites. Encouraging progress is being made in dispersion. In the first six months of 1953, 84% of facilities costing $1 million or more for which rapid tax amortization was granted will be located on dispersed sites. These local committees, together with industry consciousness of the vulnerability problem, contributed much to bring this about. I am sure that effective assistance could be given these committees by your organization especially in developing more industry consciousness in selection of dispersed sites.

Naturally, problems and obstacles exist due to economic considerations of local communities. In some cases, there are too few sites available within the corporate tax limits of a city meeting the dispersion criteria. It is difficult for such a city to persuade prospective industry to locate beyond its borders. However, these problems, and others must be solved.

The Continuity of Production Program, unlike Dispersion, deals principally with the established facilities in prime target cities. Established facilities obviously can't be picked up and moved out of the target zone. Therefore, we must determine what can be done to assure that production of the producers' product will be uninterrupted in event of damage to the plant.

This type of planning involves measures relating to safe location of records, specifications and critical data. It also involves: making arrangements in advance for alternate production sources in dispersed sites. And, stockpiling at safe locations raw materials, components, end items and maintenance and repair equipment including key items of long lead-time production equipment. It also involves: incorporating protective construction into the facility to minimize blast damage. (In this regard, ODM has granted 100% tax amortization for the costs of all such protective construction.) And finally, it involves: undertaking of advance construction planning so as to have solved, to the extent practicable, before attack, the problems of reconstruction that must be met after attack.

Currently, more than 30 key industries are at work on this problem through task groups composed of top-management representatives from the industry. Some of these industries facing major problems of production continuity in event of attack and at work developing plans to meet this problem are: the steel industry, chemical industry, photographic film, machine tool, jeweled watch movement, rubber industry, aluminum industry, and many others. One very important and major industry has developed full-scale plans for transfer of production of their most vital defense product from present production facilities to dispersed sites in event of attack damage.

The result is that within approximately 90 days after attack, production in the dispersed facilities will almost equal the output of the present facilities in the target zone. Of course, much planning, thinking and resourcefulness of industry must go into such efforts. It is here that the industrial executive becomes a strategist. The fundamental reasoning for industrial defense strategy, or even for peacetime business analysis and decision making, falls into four parts:

What is this thing worth in terms of continued production and national security?
How much does it cost?
How much can I afford to spend?
How can I get the most value for the amount spent?

The question of value can be measured by the objectives which an industrial defense program is designed to accomplish, namely:

To keep the plant functioning as a part of the national industrial war effort;
To safeguard lives, jobs, and the morale of employees;
To preserve the capital investment of the stockholder;
To maintain the competitive position of the company in the industry.

The problem of planning and developing specific measures to assure production continuity in event of attack can only be done by industry. Only industry has the competence, resourcefulness, enterprise and intimate knowledge of its particular problems necessary to attain effective results. However, in cases where the most practical and feasible action may be beyond the economic capabilities of industry, government may be required to lend assistance.

To this end we are currently examining what additional Federal incentives and aids may be made available to industry in furthering the accomplishment of the necessary measures. Although the actual planning and development of measures to assure production continuity is a more or less vertical problem within industries, the carrying out of many of the plans is geographic. Local communities should examine the problem of attack damage and determine a pattern for pre-attack and post-attack actions. This type of planning could involve the mapping of facilities in and out of the target zone, the development of rehabilitation planning with local construction contractors, the advance arrangements for essential equipment and personnel location in dispersed areas, etc.

In this regard, a contract study was made of the San Francisco Bay Area by the Stanford Research Institute. Committees were formed of leading local industrialists and businessmen. The problems of attack damage were faced and recommendations made, all compiled into a report known as: "The Community Plan For Industrial Survival" by the San Francisco Bay Area Committee on Post Attack Industrial Rehabilitation.

I hope I have not wandered too far off the title of the subject I have been given on the agenda--namely, "National Security Policies on Industrial Location". However, the discussion under that title could be rather succinctly and ungrammatically stated: "Being where the Bomb Ain't". In closing, however, I should like to leave this thought in regard to location of industrial facilities. Looking towards the future with its ever-increasing weapon techniques and the capabilities to deliver them, costly obsolescence of these weapons will develop with the introduction of new and more powerful systems.

However, if industrial target concentrations remain, the cost of obsolescence will be outweighted by the potential destruction which our enemies can reap with the new weapon. But dispersion does not obsolesce. On the contrary, the greater the reduction in industrial concentration of our urban targets, the greater will be the offset of the most advanced weapons developments in terms of destroying our industrial capacity.

If we are to think in terms of industrial survival in the years hence, no matter who the enemy, our "sitting duck" industrial concentrations must not be there waiting for inter-continental missiles, or whatever may be worse; in the scientific future.

A P P E N D I X

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Attendance Second Annual Meeting

GREAT LAKES STATES INDUSTRIAL DEVELOPMENT COUNCIL

Kellogg Center, Michigan State College, East Lansing

January 7 - 8, 1954

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MUNICIPAL FINANCING OF INDUSTRIAL PLANTS
by
Robie Mitchell, Attorney, New York, New York

It is quite apparent that the action taken by the Investment Bankers Association of America at its annual convention last November has made it very difficult for cities to market bonds for constructing manufacturing or industrial plants to be leased to private corporations. A resolution was adopted at that convention calling attention to the dangers in financing of this type and recommending extreme caution on the part of dealers in municipal securities. The effect of a resolution adopted by an organization of the standing of the I. B. A. can not be modified very materially by what any one individual may now say about this subject. My comments, therefore, will be directed to the possible dangers which prompted the adoption of that resolution and which, it appears to me, should be carefully considered and weighed before any additional state passes legislation to authorize its municipalities to embark on this course.

Development of Financing of this Type

It will doubtless be helpful, particularly for those who are not familiar with the situation, to review briefly this recent development. This movement started in Mississippi in 1936. At a special session of the Legislature in that year a law(1) was enacted authorizing the issuance of general obligation bonds, declaring in the act that

> "the state public welfare demands and the state public policy requires:
>
> "(a) That agriculture be balanced with industry. ***
>
> "(c) That the present and prospective health, safety, morals, pursuit of happiness, right to gainful employment and general welfare of its citizens demand, as a public purpose, the development within Mississippi of industrial and manufacturing enterprises, ***."

The Supreme Court of Mississippi sustained this legislation and held that the provisions authorizing the levy of taxes for the bonds did not violate the due process clauses of the State and Federal constitutions.(2) An appeal from the decision of the Supreme Court of Mississippi was dismissed by the Supreme Court of the United States for want of a substantial federal question.(3)

In July of 1950 the Court of Appeals of Kentucky sustained an act(4) authorizing revenue bonds of cities for this purpose, and held that the bonds did not violate the constitutional provision which prohibits a city from loaning its credit to any corporation or individual.(5)

A few months later there was reported an advisory opinion(6) of the Justices of the Supreme Court of Alabama sustaining an act providing for the creation of industrial development boards in cities with power to issue their own bonds for this purpose. Upon reading this advisory opinion it will be observed that the Court treated these boards as separate and distinct entities from any city or political subdivision. They probably could not qualify as political subdivisions within the Port Authority and Triborough federal income tax decisions.(7)

Apparently in an effort to overcome this difficulty, the Alabama Legislature at its regular session in 1951 passed an Act (Act No. 756, House Bill No. 733) to authorize the cities themselves to issue industrial revenue bonds, so that the bonds would be obligations of a political subdivision and the interest exempt from Federal income taxes. The constitutionality of a companion bill in the Senate had previously been sustained in an advisory opinion(8) of the Justices of the Supreme Court of Alabama, and in March of this year the Supreme Court of Alabama, following its Advisory Opinion, sustained the validity of the 1951 Act and a proposed issue of revenue bonds of a city for paying a part of the cost of constructing a plant for extracting naval stores from pine stumps, to be located 15 miles from the city and to be leased to a private company.(9) A majority of the Court held that the Act did not violate Section 94 of the Alabama Constitution which prohibits the Legislature from authorizing a city

> "to lend its credit, or to grant public money or thing of value in aid of, or to, any individual, association or corporation whatsoever, *** by issuing bonds or otherwise".

Two of the Justices vigorously dissented saying that

> "an enterprise whose object is to extract resin and turpentine from pine stumps for sale to the public is not a public enterprise",

and that "Section 94 of the Constitution prohibits the legislature from authorizing a city to acquire property for the purpose of turning it over to a private corporation to enable it to receive benefits which are only available to the city as a municipal corporation".

The Supreme Court of Tennessee(10) has also sustained a proposed issue of "Industrial Building Revenue Bonds" of the City of Elizabethton to be issued under a 1951 act(11) for the purchase of a site and the erection thereon of an industrial building to be leased to a certain corporation for manufacturing, industrial and commercial purposes.

A bill was introduced in the Rhode Island Legislature this year to create an industrial development corporation with authority to acquire industrial sites, construct industrial plants and lease them to private industry, and to appropriate $1,000,000 of public funds to be used by the state in purchasing all of the stock of such corporation. In an Advisory Opinion to the Governor(12) it was held that the bill could be constitutionally enacted by a 2/3 vote, but a majority of the Justices of the Supreme Court expressed the opinion that

> "the purpose for which public funds are thus appropriated is a private and not a public use".

The Legislature, however, rejected the bill. A similar bill to create a state "industrial plant trust" is pending in the Massachusetts Legislature, but it is not expected that it will be enacted at the present session. The sponsors of these two bills recognize the objection to the issuance of municipal bonds for this type of financing and are not seeking federal income tax exemption for the securities to be issued.

To meet this demand for financing industrial plants perhaps consideration should be given to measures of the type which authorize the creation of privately-financed and operated state and local credit development corporations to provide credit for businesses which cannot obtain it through normal banking channels. I understand that state programs of this type are already functioning in Maine and New Hampshire, with legislation for similar plans being prepared in other states.

Is Industrial Plant Financing a Proper Municipal Purpose?

All of us are aware of the fact that the states and municipalities are today engaged in many activities that were formerly considered private and not public. The Supreme Court of Pennsylvania[13] has recently pointed out that

> "views as to what constitutes a public use necessarily vary with changing conceptions of the scope and functions of government, so that today there are familiar examples of such use which formerly would not have been so considered. As governmental activities increase with the growing complexity and integration of society, the concept of 'public use' naturally expands in proportion."

In 1919 it was contended that certain North Dakota laws which provided for the State engaging in the business of manufacturing and marketing farm products, and of providing homes for the people, and which appropriated money, created the state banking system and authorized bond issues and taxation for carrying the program into effect violated the due process clause of the Federal Constitution. These laws were approved by the people and sustained by a decision of the Supreme Court of North Dakota. And the Supreme Court of the United States, in Green v. Frazier[14], refused to set aside this decision, calling attention to the "peculiar conditions existing in North Dakota".

There may be many situations where it is important to the social and economic stability of a state or a community that it finance some projects which might at first blush appear to be private in their nature. Where do we draw the line between the facilities which it is proper for a state or a municipality to finance and those which it is improper?

I do not believe that any one would severely criticize the issuance of public revenue bonds to meet directly a great public need in the community, simply because there would be involved an element of private gain for one or more corporations or individuals who would lease all or a part of the facilities. I have in mind such projects as public markets, whether conducted for the benefit of the farmers or the consumers, wharves and docks, grain elevators and warehouses, parking garages and terminals, and subways or hospitals to be leased to and operated by private corporations. There are doubtless many other such projects where public financing would not be objectionable.

It is to be observed that in all such cases the <u>primary</u> object of the facility to be financed is to render a <u>direct service</u> to the people in the community which is doing the financing. But in the case of the industrial plants the primary object is to manufacture or produce something for distant markets.

It is difficult for me, with a background of thirty-five years' work in state and municipal finance, to go along with the proposition that it is a proper municipal purpose for a city in Alabama to finance a plant to manufacture shoes for sale in Boston, or for a city in Mississippi to finance a plant to manufacture carpets for sale in Seattle, or for a city in Kentucky to finance a distillery to meet the demand in New York City for good bourbon.

Inherent Weakness in Securities.

The soundness of revenue financing of this type will depend almost entirely on the continued solvency of the corporation which is to lease the plant. If the corporate lessee should go into bankruptcy, the bondholders would probably be faced with at least a temporary default until a new lessee can be secured. Will it be an easy matter to secure a new tenant of a plant specially designed for one tenant or one type of business? What can the municipality or the bondholders do with a white elephant of this kind?

Effect on Municipality.

Before embarking on a program of this kind, the municipal officials as well as the bankers have some problems to consider. Must additional housing accommodations be provided in the municipality for the employees of the plant and additional streets, sidewalks, water and sewer lines, schools, hospitals and other public facilities constructed and, if so, what will be the effect on the tax rate and the financial structure of the municipality? Perhaps also there should be considered the effect on the municipality, as well as on the bondholders, in case the corporate lessee after a few years of operation should have financial difficulties.

Results of Similar Financing in the Past.

There have been three periods of serious state and municipal defaults in the history of this country, each caused in a large measure by the subsidizing of private enterprise. In the 1830's large amounts of state and municipal debts were created in aid of banks and canals. This was followed by a period of defaults so serious that many states adopted constitutional amendments prohibiting the state from engaging in works of internal improvement. After the war between the States there was a regular epidemic of railroad aid bonds, followed by a period of defaults on hundreds of issues and bitterly contested suits in state and federal courts to enforce the bonds. In fact the decisions of the courts in these cases constituted a large part of the law of municipal securities as it existed prior to World War I. Again constitutional amendments were adopted in many states, this time to prevent the grant of public moneys and the lending of credit to private enterprise. Following World War I many municipalities issued bonds for streets, sidewalks, and water and sewer lines to keep pace with the real estate developers. All of you recall the defaults on municipal bonds in the early 30's, aggregating something like $2 Billion.

The people who promoted the financing which resulted in these serious defaults were just as honest in their efforts and just as confident of the tremendous benefits which would result as are the proponents today of municipal financing of industrial plants. It is this history of defaults which causes municipal bond men, rating agencies, analysts and many public officials to look upon this proposed type of financing with extreme caution if not with disfavor.

Inherent Dangers in Financing.

There is a very forceful editorial on this subject in the March 20 issue of the Philadelphia Daily News, entitled "Depression Breeders". The first paragraph of this editorial is as follows:

> "Any deviation from the normal methods of established business that tends to disrupt the free enterprise system, the keystone of democratic economy, is a peril to the economic welfare of the nation."

This plan of financing is not only a peril to our free enterprise system but also to our American system of dual sovereign governments. Under this system the Federal Government can not tax the power of a sovereign state or its municipalities to borrow money. But if a state or its municipalities go into the business of building industrial plants for private corporations, what will become of this tax immunity? As you know, efforts have been made in Washington for several years to tax the income of municipal bonds. This plan of municipal financing of industrial plants will give those who would destroy this tax immunity just the ammunition they have been looking for to support their efforts. If Congress should decide to tax the interest on these industrial plant bonds, is it not probable that the Supreme Court of the United States will sustain the tax? That Court did not hesitate to deny immunity from Federal taxes when the State of South Carolina(15) and the State of Ohio(16) went into the liquor business or when the State of New York went into the business of bottling mineral water(17). In the opinion in the Ohio case it was said:

> "If a state chooses to go into the business of buying and selling commodities, its right to do so may be conceded so far as the Federal Constitution is concerned; but the exercise of the right is not the performance of a governmental function... When a state enters the market place seeking customers it divests itself of its quasi sovereignty pro tanto, and takes on the character of a trader, so far, at least, as the taxing power of the federal government is concerned."

I for one do not want to see any state authorize a municipality, in order to secure an industrial plant, to barter away tax immunity or any other attribute of sovereignty or take any other step which would tend to destroy our American governmental system.

In an article in The Daily Bond Buyer(18) a few months ago, the president of a corporation was quoted as saying:

> "Under the leadership of the State of Mississippi, there are today thousands of communities in the country which can legally issue tax-exempt bonds for the purpose of building industrial plants and leasing such facilities to operating companies. This new plan not only makes available again these huge reservoirs of sterilized capital for the nation's continued industrial expansion, but it offers a unique opportunity for cooperation between industrial companies and the communities in which they plan to operate."

Where are "these huge reservoirs of sterilized capital", having in mind today's pressing demands for public improvements such as highways, bridges, schools, hospitals, water and sewer extensions, sewage disposal systems, etc., the cost of which has been estimated in excess of $100 billion?

Why shouldn't one be enthusiastic about this financing if his corporation is to be the beneficiary, if it is to have a plant provided for it on which it will pay no ad valorem taxes, the cost of which is not reflected in the capital structure of the corporation for franchise tax purposes, and for the use of which the corporation pays a rental which is based on tax-exempt financing and which is an operating expense of the corporation and deductible in computing its income tax.

Should one corporation be given all these tax advantages which are not possessed by its competitors? Will not industries which have been in business and paying taxes for years be seeking the same subsidies? It is stated in an article on this subject in the March 1952 issue of The American City:

> "As far as industries already established are concerned, the municipal industry-financing plans now in effect are grossly unfair, undermining the principle which underlies our tax system—equality of taxation for all property of the same class."

Will this movement for public ownership of industrial plants lead to municipal or state ownership of all industrial plants? If so, is it going to be very difficult to change from "Uncle Sam" to "Uncle Joe"?

(1) C. 1, Laws of First Extraordinary Session of 1936.

(2) Albritton v. City of Winona (1938) ____Miss. ____, 178 So. 799.

(3) 303 U. S. 627.

(4) Ch. 58, Acts of 1946, KRS 103.200 et seq.

(5) Faulconer v. City of Danville (1950) ____ Ky. ____, 232 S.W. (2d) 80.

(6) Opinion of the Justices (1950) ____ Ala. ____, 49 So. (2d) 175.

(7) Comr. of Int. Rev. v. Shamberg's Estate (1944) 144 Fed. (2d) 998, and Comr. of Int. Rev. v. White's Estate (1944) 144 Fed. (2d) 1019;ceriorari denied, 323 U.S. 792.

(8) In re Opinion of the Justices, ____ Ala. ____, 53 So. (2d) 840, decided August 20, 1951.

(9) Newberry v. City of Andulsia (1952) ____ Ala. ____, 57 So. (2d) 629.

(10) Holly v. City of Elizabethton, ____ Tenn. ____, 241 S. W. (2d) 1001, decided August 31, 1951.

(11) Ch. 137, Public Acts of 1951.

(12) Opinion to the Governor (1952) ____ R.I. ____, 88 Atl. (2d) 167.

(13) Dorman v. Philadelphia Housing Authority (19__) 331 Pa. 209, 221, 200 Atl. 834, 840; quoted in McSorley v. Fitzgerald (1948) 359 Pa. 264, 59 Atl. (2d) 142.

(14) Green v. Frazier (1920) 253 U.S. 233, 64 L. Ed. 878.

(15) South Carolina v. United States (____) 199 U.S. 437.

(16) Ohio v. Helvering (____) 292 U. S. 360.

(17) State of New York v. United States (1946) 326 U.S. 572.

(18) November 26, 1951.

EFFECTS OF INDUSTRIAL FINANCING ON STATE AND LOCAL TAXES

by
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In this discussion, I shall address myself to the possible and probably effects of industrial financing on state and local taxes under various hypothetical conditions, rather than to the very sketchy evidence which there is relating to the few existing schemes. This type of discussion requires a fairly precise definition of just what is involved in the concept "industrial financing." My definition is that the essential element in industrial financing is the use of public credit, whether through revenue bonds or general obligation bonds, to raise funds to construct new plant, to be leased to a private enterprise under a contract providing for full repayment of the public's investment.

I assume that the local property taxes which would have been incurred had the plant been privately financed are substantially paid in full via contractual provisions for in lieu payments or some other device. It is true, however, that not all existing or proposed schemes do actually provide for property tax payment and that even where in lieu arrangements exist there is apt to be some element of tax abatement, first, because the assessment may intentionally or unintentionally be below the general level of assessments in the community and second, because fixed in lieu payments under a long-term contract will insulate the lessee against rising property tax rates. Moreover, a city may provide the new plant with various kinds of service without cost or at nominal rates; however, I am assuming that the value of these advantages, like the extent of property tax abatement, will ordinarily not be large enough to be of major significance.

ELEMENTS OF SUBSIDY

The elements of subsidy under this definition are twofold—and make no bones about it, subsidization <u>is</u> involved, for if there were no subsidy industrial financing would be no more effective in attracting industry to a ctiy than is mere exhortation. First, interest on the bonds issued to build the plant is exempt from Federal (and state) income taxes. Thus the bonds bear a lower interest rate than borrowing of a similar character which is not tax-exempt, and the interest cost to the occupant of the plant is less than it would have been had the plant been financed from funds borrowed privately. Second, the governmental unit issuing the bonds bears most of the risk involved in the investment, for in practice there is no sure-fire way of guaranteeing that the lessee will meet all his obligations. A city can be very selective, thus reducing this possibility, but it cannot eliminate it. Since the element of risk involved in any investment is a very real cost in an economic sense, and this cost is transferred from the private enterprise to the public borrower, this constitutes a not unimportant subsidy.

EFFECTS ON INDIVIDUAL COMMUNITY

The effects of industrial financing on state and local taxes in particular and state-local finance in general may be very different for the individual community attracting new industry under an industrial financing program than for the country as a whole. I shall begin with a discussion of the individual community effects.

First, let's take the case in which the arrangement proves to be successful—that is, the company meets all the payments required under the contract and maintains a payroll at least as large as that expected when the negotiations were concluded. The most obvious impact on state and local taxes is a direct increase in tax bases—an increase in the property tax base by the amount of the value of the new plant and equipment (to the extent there is no property tax abatement and an increase in the state income tax base—if there is a state income tax—by the amount of the payrolls and of the company's net income from the new operations. In addition to this, there are the indirect increases in tax bases—the additional industrial activity generates other increased activity as local firms provide the company itself with various goods and services and as the company's employees spend their paychecks at grocery stores and service establishments and for housing and the myriad other items that make up a wage-earner's budget. Thus there will be a "second round" of tax base increases in income, property, and sales, the major conventional sources of tax revenue.

There is apt to be at least a partial offset to these increases in revenue in the form of increased governmental costs, though. This will occur if, as has been the case with most existing industrial financing programs, the new industrial activity represents an increase in local employment rather than an offset to unemployment created by the departure of some local firms. In cases like this, particularly in a city of moderate size, an influx of population is likely to occur, bringing in its wake greater needs for schools, hospital beds, utility connections, street capacity, and a host of other publicly provided services. Of course, the increased governmental costs are an offset to higher revenues in a financial rather than an economic sense, since the community will be "consuming" more government quantitatively and perhaps qualitatively.

IMPACT IF COMPANY FAILS TO MEET CONTRACT

The community will face an entirely different set of consequences if the company occupying the plant financed by a municipal bond issue fails to meet the contract, because it either goes out of business entirely, migrates elsewhere, or is unable to make the payments required to service the debt. I should like to reiterate at this point what I said a moment ago—that a city cannot really make a company stick to its bargain. The only effective sanction would be the prospect of a money loss, and if the company is losing money on its local operations anyhow, the penalty would have to be a severe one indeed. Clearly one could not expect a firm to immobilize a large amount of funds as a performance bond; such a step would cancel out much of the subsidy which attracted it in the first place. Moreover, insurance company performance bonds for this purpose in the past have had a way of just not being paid off when they are most needed, if ever, because of litigation. In fact, when a company finds itself in difficult straits, it is apt to press for greater subsidization, such as additional property tax abatement or even direct payments from public funds, in addition to reduction or postponement of its rental payments; the city, faced with the threat of unemployment as well as loss of rentals, is over a barrel and is apt to grant the concessions.

It is important that we recognize in this connection that no matter how suitable a firm may seem for a particular city and no matter how bright are its prospects in general, there is no way to guarantee that the firm will not be adversely affected over a span of years by the complex movements that characterize our economy, whether a general downturn in the business cycle, a selective recession in certain lines, or a secular change in the composition of the nation's demand for goods and services. Thus, it is quite likely that as industrial financing becomes more widespread, more instances of breaches of contract will occur.

What then will be their effect on taxes in the communities affected? Obviously, if the plant has been constructed via the issuance of general obligation bonds, local taxes will have to be increased to meet debt service requirements. And even if revenue bonds were the source of funds, many cities would find it to their advantage, if they could legally do so, to increase general taxes to meet the debt service requirements, because a default, even on revenue bonds, could have long-term adverse effects on the community's credit standing. A self-righteous refusal to bail out the bondholders in the long run would probably cost a small city far more in additional interest charges and difficulty of selling bonds for other purposes than would assuming the debt service obligations on the industrial financing.

At the same time as taxes will probably be increased to service this debt, the higher level of municipal operating costs stimulated by the increase in employment and population will continue. Even if the new factory closes down completely, and the workers are unemployed the costs will continue, because in the short run the unemployed workers and their families are not apt to leave their new homes. In fact, if the plant shuts down, governmental costs are apt to be increased, since additional public assistance expenditures probably will be required. Although some of the costs of providing for the support of the unemployed will be shifted to other levels of government (the state and the Federal Government via unemployment compensation and grants-in-aid for public assistance), the city itself is likely to be saddled with a significant additional burden. Moreover, the reduced industrial activity and payroll will have additional adverse effects as the service and trade businesses dependent on the industrial activity experience declines; thus the income, sales, and property tax bases will contract and collections from the major state and local taxes will fall off.

Obviously, the extent to which these probably adverse consequences of failure of the contract are of concern in any particular city depends upon the relative role of the industrial activity attracted by industrial financing. A city of 100,000 may be in a position to run the risks that a firm employing 100 persons in a new factory will not meet the terms of the contract, whereas a city of 30,000 which finances a factory employing 500 people is in a very different position. A major hazard, however, is that because a large new factory offers a small city so much in the way of additional income, industrial financing is most attractive and apt to be pursued most energetically in just those situations in which the potential losses are greatest.

ECONOMIC SIGNIFICANCE FOR WHOLE COUNTRY

Before moving on to discuss the impact of industrial financing on state and local taxes for the country as a whole, I think it is necessary to go into the economic significance of industrial financing briefly. Regardless of the type or extent of subsidy involved, industrial financing can have one of two effects for the economy considered as a whole, if it is effective in attracting industry to a particular locality, industry which would not have located there in the absence of the special inducements. The result can be an increase in the total output of the economy through more effective utilization of labor and capital or it can be merely a transfer of production from one part of the country to another without any increase in total output.

An increase in total output can come about in a number of ways. First, let's take a community from which industry has migrated, with resulting unemployment and probably unused factory buildings or other plant as well. Typically, the unemployed workers will be extremely loath to migrate to other sections, and factory buildings just cannot be moved great distances economically. Governmental assistance to industry, whether through industrial financing or otherwise, may make it possible to put these idle resources to work. In the absence of a subsidy element, the assistance provided typically will have the economic effect of overcoming the "frictions" or "market imperfections" of inadequate knowledge of favorable conditions on the part of prospective manufacturers or of inability to secure financing through ordinary channels. If this is the case, then the governmental aid has had the effect of helping to make a competitive system function more smoothly and more efficiently.

If there are elements of subsidy, as in the case of industrial financing, what must be considered is whether or not the subsidy results in a greater increase in total output than that which could have been produced through employing funds equivalent to the money value of the subsidy in the ways they would have been used had a promotional program not been adopted. In a community with unemployed labor and unused plant, in many cases a relatively small subsidy may have greater leverage in increasing output than any conceivable alternative use of the community's savings, and often this will be the case. This may happen in an under-developed area, too, where typically the labor resources of the area are inefficiently used, particularly on farms with relatively low productivity per unit of labor.

On the other hand, the effects of a subsidy in increasing output in a particular community may be spurious from the standpoint of the economy as a whole. What may happen is that a firm which might otherwise locate elsewhere, because over-all unit costs are lower (taking all factors into consideration), is induced to locate in a city which offers an industrial financing scheme. Because of the subsidy element, the costs to the particular firm will be lower. However, the costs to the whole economy will be higher, since the company's costs in the subsidized community plus the money value of the subsidy are greater than its total unsubsidized costs would have been elsewhere. This kind of subsidization appears to be the case with regard to some of the Southern programs, particularly when we consider that the rural labor supply which is inefficiently utilized on the farm has been migrating to the larger industrial centers, in both the North and the South, at a rapid rate over the past few decades. Thus industrializing smaller Southern communities through industrial financing or other subsidies may increase output over what it would be if no one migrated but less than what it will be if people continue to migrate to the larger industrial centers where costs, considering the subsidy in the smaller city, may be lower.

In short, industrial financing may be "good" or "bad" for the economy, depending upon the facts in each case. For the country as a whole, there are probably far more potential cases in which the effect of subsidization is make the economy function less efficiently than there are opportunities for inexpensively overcoming "frictions" and immobilities. Moreover, as industrial financing programs become more widely established and publicized, it becomes likely that more and more cases will arise in which one community is benefited at the expense of another and at the expense of the country as a whole.

OVER-ALL EFFECTS ON STATE-LOCAL TAXES

Clearly, in those cases in which industrial financing is successful (in the sense that the company lives up to the contract) and leads to an increase in the nation's output, the effects on state and local finance for the country as a whole are all to the good—the increased output and income enhances state, local, and Federal revenues not only in the particular city and state but for the country as a whole. That is, the fact that over-all product has been increased means that the gains in tax revenues flowing from the increased activity in the area offering the inducements are greater than the gains foregone by other areas which failed to attract the new activity. These foregone gains typically will appear to be fictitious since other areas may not even be aware of the possibilities for attracting the new plant.

However, in what seems to me to be the more frequent case, in which industrial financing results in a transfer of production from one place to another with a concommitant poorer allocation of resources and resultant failure to achieve the greatest possible national output, the effects are very unfavorable. First, there is the shrinkage in tax bases in the areas losing industrial employment. Sometimes this may be observable, as when industry actually migrates. In such cases, governmental costs will ordinarily be greater as well as taxes smaller, because of unemployment, although here again some of the costs will be borne by the state and the Federal Government. In other cases, we may not see an actual shrinkage in tax revenue and reduced employment because the city does not actually suffer from migration of industry—what happens is that firms which might have located there had there been no subsidies available elsewhere do go elsewhere and its tax bases are smaller than they would have been in the normal course of events.

But whether the losses in adversely affected communities are observable or not, the losses in tax bases for the country as a whole are quite real. Lower total output and income than could be produced in the absence of subsidization will mean lower tax revenues than could be realized. Now this too is not easy to observe; in fact, because the economy is dynamic and complicated, it is probably impossible to isolate what actually takes place and trace specific changes in gross national product to particular cases of subsidy or lack of subsidy. The foregoing remarks are merely indicative of what tendencies industrial financing will set up and indicate, at any rate to me, that the burden of proving that industrial financing will not do more harm than good is on its proponents in each particular case.

SOME FURTHER CONSIDERATIONS

Another problem which industrial financing raises is the possibility—I might say the specter—that communities will compete with each other through industrial financing to attract new industry and retain existing plants. In this eventuality, obviously there would be a tendency to expand the extent of subsidy to outbid rival cities, by increasing the degree of property tax abatement, providing free services, and so on. Expanding the subsidy compounds some of the possible difficulties—such as greater potential loss in the event of failure and smaller potential net gains in tax revenues in the event of success. Moreover, it means a greater distortion of the pattern of industrial location and a greater departure from the optimum.

In addition, the greater the extent of subsidy the more redistribution of the tax burden is involved and the more considerations of the equity of the tax system are raised. A substantial degree of property tax reduction can mean a significant shift in the property tax burden to other property in the city. The income tax exemption feature of the bonds sold for plant construction can mean, if industrial financing becomes widespread, a shift in the state and Federal income tax burden from interest income which would have been taxed had the funds been raised privately to other income.

In the not unlikely event that competitive subsidization tends to cancel out and industry locates where it would have been located without the special inducements, obviously some of the deleterious effects of inter-community bidding for industry will disappear. In particular, the adverse impact on national output will be mitigated. However, the shifts in the tax burden will continue to be present, and the possibility of severe strains on local finances in the event of economic conditions unfavorable to subsidized firms will be as great as ever. Thus the possibility of competitive bidding, whatever its outcome would be, is another reason for grave doubts over the advisability of encouraging the continuance and expansion of industrial financing programs.

Finally there is a possible effect which seems some what remote at this time; however were it to occur, it would be of great significance for state and local finance. It is this: in the nineteenth century, widespread failures and defaults on state and local borrowing to finance industrial development—principally transportation facilities—led in a large number of states to the adoption of very rigid constitutional limitations on borrowing, particularly state borrowing. These restrictions have had various and profound effects on state-local finance in general and taxation in particular. They explain in part the use of certain types of tax sources in preference to others, the difficulties in the timing and financing of capital improvements, and the development of special institutions, such as ad hoc units of governments, to evade the restrictions.

Gradually the difficulties presented by the restrictions are being overcome and in numerous instances the restrictions themselves are being modified, typically by voter approved borrowing for special purposes. A new wave of defaults on state-local borrowing—and industrial financing is the only area in which widespread defaults are conceivable—could lead to another wave of borrowing restrictions, and in just those areas least affected by the nineteenth century provisions; that is, in the South and New Englad rather than the Midwest. We can safely say that public authorities are wiser and more selective today in their industrial financing than were their nineteenth century counterparts, but we still face the possibility of national, regional, and industry recessions which even in the nineteenth century were responsible for many of the defaults, just as it may be in future years. I said earlier that this somewhat gruesome prospect seems remote, and I think everyone will agree to this. Nevertheless, it is something to think about.

CONCLUSION

In closing, I shall summarize what I think are the major points to be concerned with regarding the possible effects of industrial financing on state and local taxes:

(1) Where the arrangements work out successfully, industrial financing can generate a significant increase in tax revenues and improvement in public services in an individual community.

(2) However, the exposure of any particular firm to economic fluctuations is very great and a city may be subjected to severe financial strains at very inopportune times.

(3) The cases in which industrial financing is good for the economy as a whole and consequently for state-local finance in an over-all sense are probably limited in number.

(4) The generally unfavorable judgment on industrial financing which this implies is strengthened by the possibility of competitive bidding for industry with its attendant compounding of the potential evils.

Industrial Development
Fact Sheet No. 4a
MICHIGAN INDUSTRIES

Michigan Economic Development Department
Research Section
October 1952

MICHIGAN'S INDUSTRIAL STRENGTH
REVEALED BY ANNUAL SURVEY OF MANUFACTURES, 1949 AND 1950

Michigan continued to rank fifth in the nation in 1950 in manufacturing employment and in value added by manufacture (the amount by which value of shipments exceeds cost of materials and supplies) although standing only seventh in population. The states of New York, Pennsylvania, Ohio and Illinois occupy the first four positions.

The nation as a whole lost in number of production workers from 1947 to 1950. Only three of the leading industrial states, Michigan, California and Indiana, show an increase in production workers during this three-year period (see Table I). Of the three states, California had the greatest increase, 7.2 percent; Michigan followed with 3.5 percent and Indiana gained 0.8 percent. In value added by manufacture, Michigan had more than twice the national increase of 20.5 percent. Michigan's gain of 42.3 percent was the greatest of the eleven leading industrial states (brought out in Table II). Indiana was second with 28.7 percent and California was third with 28.2 percent.

From 1949 to 1950 all states showed an increase in production workers and value added by manufacture. Again the same three states led in percent increase in production workers although Michigan fell from second to third place. In value added by manufacture Michigan remained in first place, Connecticut was second and Indiana third.

An analysis of Table III reveals that the most important major industry groups in Michigan continue to be transportation equipment, machinery (except electrical), fabricated metal products, and primary metal industries. The greatest numerical increase in production workers, nearly 29,000, occurred in our largest industry group, transportation equipment, which was followed by fabricated metal products with a gain of over 16,000 workers. Four major industry groups had an increase in employment of more than 20 percent. They were lumber and products except furniture, printing and publishing, leather and leather products and fabricated metal products.

All the major industry groups in Michigan, except textile mill products, increased in value added by manufacture in the three years from 1947 to 1950. Transportation equipment, miscellaneous manufactures, furniture and fixtures, and fabricated metal products had a percent gain of more than 50 percent during this period.

TABLE I

GENERAL STATISTICS FOR ALL MANUFACTURING ESTABLISHMENTS IN MICHIGAN AND LEADING INDUSTRIAL STATES: 1950, 1949 AND 1947

State	1950 Production Workers (Ave. for the Year)	1950 Rank	1950 Val. Added by Manuf. (In 000's of Dollars)	1949 Production Workers (Ave. for the Year)	1949 Val. Added by Manuf. (In 000's of Dollars)	1947 Production Workers (Ave. for the Year)	1947 Val. Added by Manuf. (In 000's of Dollars)
U. S. Total	11,766,056		$89,675,779	11,016,301	$75,366,527	11,916,188	$74,425,825
MICHIGAN	850,623	5	7,392,255	768,876	5,769,964	821,721	5,196,338
New York	1,363,992	1	10,506,454	1,318,111	9,528,110	1,424,705	9,666,588
Pennsylvania	1,180,447	2	8,123,994	1,113,965	6,941,473	1,219,426	6,946,958
Ohio	934,924	3	7,967,482	860,447	6,412,895	988,446	6,359,006
Illinois	908,248	4	7,929,910	860,475	6,898,999	954,415	6,680,137
New Jersey	575,288	6	4,867,312	546,552	4,206,331	601,748	4,177,080
California	568,659	7	5,120,976	507,312	4,168,034	530,283	3,994,981
Massachusetts	560,563	8	3,659,916	528,426	3,193,499	601,603	3,370,094
Indiana	461,334	9	3,832,892	414,857	3,059,100	457,582	2,977,508
Wisconsin	339,452	10	2,687,346	313,081	2,360,949	343,008	2,260,574
Connecticut	302,498	11	2,123,447	275,842	1,674,430	331,527	1,896,546

TABLE II

PERCENT CHANGE IN PRODUCTION WORKERS AND IN VALUE ADDED BY MANUFACTURE IN MICHIGAN AND LEADING INDUSTRIAL STATES: 1947 - 1950 AND 1949 - 1950

State	1947 - 1950 Production Workers	1947 - 1950 Val. Added by Manuf.	1949 - 1950 Production Workers	1949 - 1950 Val. Added by Manuf.
U. S. Total	-1.3	20.5	6.8	19.0
MICHIGAN	3.5	42.3	10.6	28.1
New York	-4.3	8.7	3.5	10.3
Pennsylvania	-3.2	16.9	6.0	17.0
Ohio	-5.4	25.3	8.7	24.2
Illinois	-4.8	18.7	5.5	14.9
New Jersey	-4.4	16.5	5.3	15.7
California	7.2	28.2	12.1	22.9
Massachusetts	-6.8	8.6	6.0	14.6
Indiana	0.8	28.7	11.2	25.3
Wisconsin	-1.0	18.9	8.4	13.8
Connecticut	-8.8	12.0	9.7	26.8

Source: U. S. Bureau of the Census, Annual Survey of Manufactures: 1949 and 1950

TABLE III

GENERAL STATISTICS FOR MANUFACTURING ESTABLISHMENTS IN MICHIGAN, BY MAJOR INDUSTRY GROUPS: 1950, 1949 AND 1947

Major Industry Group	1950 Production Workers (Ave. for the year)	1950 Val. Added by manuf. (In 000's of dollars)	1949 Production Workers (Ave. for the year)	1949 Val. Added by manuf. (In 000's of dollars)	1947 Production Workers (Ave. for the year)	1947 Val. Added by manuf. (In 000's of dollars)	Percent Change 1947 - 1950 Production Workers	Percent Change 1947 - 1950 Val. Added by Manuf.
All Industries, Total	850,623	$7,392,255	768,876	$5,769,964	821,721	$5,196,338	3.5	42.3
Food & kindred products	37,157	352,201	35,296	332,786	35,582	284,824	4.4	23.7
Textile mill products	3,983	28,284	4,390	26,248	5,453	31,058	-27.0	-8.9
Lumber & products, except furniture	18,497	94,463	14,333	59,328	14,694	68,995	25.9	36.9
Furniture & fixtures	20,765	149,427	17,200	110,353	19,473	94,922	6.6	57.4
Paper & allied products	24,273	213,429	22,714	165,789	23,133	174,319	4.9	22.4
Printing & pub. industries	16,497	174,311	15,293	163,208	13,593	136,983	21.4	27.2
Chemicals & allied prod.	23,279	396,868	23,999	301,180	25,018	281,118	-6.9	41.2
Petroleum & coal products	2,416	55,063	2,511	38,072	2,851	50,247	-15.3	9.6
Rubber products	10,879	95,511	10,435	71,188	12,497	85,231	-12.9	12.1
Leather & leather prod.	4,819	26,010	4,466	21,826	3,992	23,822	20.7	9.2
Stone, clay, & glass prod.	14,880	119,355	12,909	94,776	13,475	88,782	10.4	34.4
Primary metal industries	72,819	611,124	63,996	427,178	81,100	427,239	-10.2	43.0
Fabricated metal products	94,562	767,719	74,994	524,111	78,360	496,091	20.7	54.7
Machinery (except elec.)	107,631	939,265	96,081	737,520	119,168	796,178	-9.7	18.0
Electrical machinery	13,880	103,188	12,427	86,424	17,823	102,073	-22.1	1.1
Transportation equipment	360,606	3,110,023	330,414	2,484,613	331,680	1,938,214	8.7	60.5
Instruments & related prod.	3,989	29,371	3,281	22,035	3,872	20,058	3.0	46.4
Misc. manufactures	12,480	92,761	-----	-----	11,112	58,529	12.3	58.5

Source: U. S. Bureau of the Census, Annual Survey of Manufactures: 1949 and 1950

Industrial Development
Fact Sheet No. 4
MICHIGAN INDUSTRIES

Michigan Economic Development Department
Information and Research Division
July 1951

MICHIGAN'S INDUSTRIAL PRE-EMINENCE AND DIVERSITY SHOWN BY U. S. CENSUS FIGURES

Michigan's high position in a wide variety of industries is revealed in the U. S. Census of Manufactures: 1947 for which complete data have recently become available.

In the nation, Michigan stands fifth in manufacturing employment and also fifth in the value added by manufacture (the amount by which value of shipments exceeds cost of materials and supplies).

The overwhelming national importance of Michigan's automotive industry sometimes obscures the fact that the state is a leader in many other lines of manufacturing. Some of the products turned out in these other industrial activities find considerable use in the automobile industry while others are used only in a small way by this industry and still others have no such economic ties.

A list of the major industry divisions, as defined by the U. S. Bureau of the Census, appears in Table I with data to show Michigan's position in each. The industry divisions are arranged with respect to their relative importance in Michigan's total manufacturing employment. Michigan's rank in number of persons employed is given in each instance and also its rank in value added by manufacture. Under the major industry divisions appear the specific industry groups in which Michigan ranks fourth or higher in either employment or value.

Michigan stands high nationally in many additional industry groups, only the most prominent ones being shown here. This information will contribute materially to an understanding of Michigan's industrial strength.

The diversity of Michigan's manufacturing is apparent from the fact that 81% of the industry groups defined by the U. S. Bureau of the Census are operating in the state — 364 out of the total of 451 (Table II). By comparison, 74% of the industry groups were represented in Michigan in 1939.

TABLE I

MICHIGAN'S NATIONAL RANK IN THE MAJOR INDUSTRY DIVISIONS AND IN SELECTED INDUSTRY GROUPS

– By Number of Employees and Value Added by Manufacture –

Source: U. S. Bureau of the Census, Census of Manufactures: 1947

Note: n.a. – Not available   * – Exact rank unknown due to data being withheld for some states

Major Industry Division and Selected Industry Group	Number of Employees		Value Added by Manufacture	
	Avg. for Yr.	Rank	Dollars (000)	Rank
ALL INDUSTRIES, TOTAL	973,675	5	5,196,338	5
Transportation Equipment	384,773	1	1,938,214	1
Motor vehicles & parts	371,795	1	1,880,757	1
Automobile trailers	2,484	1	13,567	1
Boat building & repairing	2,076	4	7,496	4
Truck trailers	1,573	2	n.a.	2
Machinery, Except Electrical	143,171	3	796,178	3
Cutting tools, jigs, fixtures, etc.	24,146	1	149,065	1
Refrigeration machinery	18,212	3	102,360	2
Internal combustion engines	14,356	2	70,113	2
Machine shops (jobbing & repair)	9,092	1	44,185	1
Machine tools	8,359	2	43,160	2
Computing & related machines	7,966	3	n.a.	3
Valves & fittings, exc. plumbers'	7,798	4	39,329	4
Domestic laundry equipment	3,830	3	21,455	4
Woodworking machinery	2,494	1	14,007	1
Primary Metal Industries	92,606	4	427,239	4
Gray-iron foundries	40,146	1	155,539	1
Nonferrous foundries	6,696	4	28,349	5
Iron & steel forgings	5,270	4	29,232	3
Copper rolling & drawing	5,266	3	27,998	3
Malleable-iron foundries	4,812	3	20,340	2
Welded & heavy-riveted pipe	2,365	2	16,430	3
Fabricated Metal Products	90,853	4	496,091	4
Metal stampings	19,808	2	101,501	1
Hardware, not elsewhere classified (for builders, transportation equipment, furniture, etc.)	16,759	2	77,014	1
Wirework, not elsewhere classified (inc. fencing, bale ties, springs etc.)	13,178	1	n.a.	–
Heating & cooking apparatus, exc. electric apparatus & oil burners	9,257	4	64,456	5
Plating and polishing	5,285	1	24,566	1
Screw-machine products	4,138	3	23,663	3
Metal doors, sash, and trim	2,866	3	18,219	3

(Continued - Table I)

Major Industry Division and Selected Industry Group	Number of Employees		Value Added by Manufacture	
	Avg. for Yr.	Rank	Dollars (000)	Rank
Food & Kindred Products	47,600	9	284,700	11
Cereal preparations	4,768	1	n.a.	-
Beet sugar	1,275	4	5,104	5 or 6*
Chemicals & Allied Products	33,940	6	281,118	6
Industrial organic chemicals, exc. derivatives of coal-tar, plastics materials, synthetic rubber, synthetic fibers, and explosives	7,980	4	74,008	-*
Pharmaceutical preparations	7,859	3	71,464	3
Salt	1,293	1	n.a.	1
Paper & Allied Products	26,022	7	174,319	6
Paper & board mills	10,615	4	81,171	5
Paper coating & glazing	3,515	1	20,300	1
Furniture & Fixtures	22,314	5	94,922	5
Public-building furniture	1,893	1	n.a.	-
Metal house furniture, exc. upholstered	1,634	4	n.a.	-
Metal office furniture	1,457	3	9,716	3
Window & door screens	1,239	2	5,406	2
Professional furniture	1,119	1	n.a.	-
Window shades	1,031	4	4,560	4
Electrical Machinery	22,049	10	102,073	11
Electrical welding apparatus	1,268	2	9,782	2
Engine electrical equipment	3,248	4	n.a.	-
Printing & Publishing Industries	21,677	7	136,983	7
Lumber & Products, Except Furniture	16,083	15	68,995	12
Wood products, not elsewhere classified (inc. household & kitchen woodenware, furniture turnings, etc.)	4,465	3	n.a.	-
Stone, Clay & Glass Products	15,669	9	88,782	9
Gaskets & asbestos insulations	2,823	2	12,863	2
Concrete products	2,525	4	13,835	2
Abrasive products	1,473	5	8,943	4
Rubber Products	15,417	5	85,231	3
Tires & inner tubes	12,085	2	n.a.	2 or 3*
Apparel & Related Products	9,103	20-24*	34,043	20-24*
Trimmings & art goods (inc. automotive)	1,362	2	6,410	2

-(Continued - Table I)

Major Industry Division and Selected Industry Group	Number of Employees		Value Added by Manufacture	
	Avg. for Yr.	Rank	Dollars (000)	Rank
Textile Mill Products	5,996	20 or 21*	31,058	19-21*
Paddings & upholstery filling	2,111	1	n.a.	1
Instruments & Related Products	4,840	10	20,058	10
Leather & Leather Products	4,357	-*	23,822	-*
Petroleum & Coal Products	3,479	12	50,247	12
Tobacco Manufactures	906	-*	3,612	-*
Miscellaneous Manufactures	12,794	10	58,529	11
Sporting & athletic goods	3,619	3	16,910	1
Models & patterns, exc. paper	263	2	1,188	2

TABLE II

MICHIGAN'S REPRESENTATION IN THE INDUSTRY
GROUPS RECOGNIZED BY THE U. S. BUREAU OF THE CENSUS

Major Industry Division	Industry Groups: Number in U. S. Census	Industry Groups: Number in Michigan
Food and kindred products	42	36
Tobacco manufactures	4	2
Textile mill products	31	18
Apparel and related products	41	34
Lumber and products, except furniture	20	14
Furniture and fixtures	16	14
Paper and allied products	11	9
Printing and publishing industries	16	16
Chemicals and allied products	42	27
Petroleum and coal products	8	6
Rubber products	4	3
Leather and leather products	12	10
Stone, clay and glass products	29	24
Primary metal industries	20	15
Fabricated metal products	32	27
Machinery, except electrical	39	36
Electrical machinery	21	18
Transportation equipment	14	14
Instruments and related products	10	10
Miscellaneous manufactures	39	31
TOTAL	451	364

Industrial Development
Fact Sheet No. 6
INCOME

Michigan Economic Development Dept.
Information and Research Division
Lansing 15, Michigan   March 1954

MANUFACTURING PAYROLLS AS A PERCENT OF TOTAL INCOME

An important index of industrial economy is the position that manufacturing payrolls occupy in relation to other major sources of income. The state of Michigan ranks first in the nation in percentage of total income derived from manufacturing payrolls. The accompanying table gives the percentage figures for Michigan and the other major industrial states (as determined by number of production workers and value added by manufacture) for 1948 through 1952.

Manufacturing payrolls are far more important in Michigan's industrial economy than in some of the other major industrial states. In New York and California, for example, the percentage of total income derived from manufacturing payrolls is below that of the United States as a whole. In Michigan, the percentage is nearly double that of the United States. Connecticut runs Michigan a close second in this factor. It is worthy to note that Connecticut is showing a larger relative gain in manufacturing income in recent years than is Michigan and if the trend should continue, may soon surpass Michigan in relative concentration of income in manufacturing.

Manufacturing Payrolls as a Percent of Total Income

In Michigan and Other Major Industrial States:

1952, 1951, 1950, 1949 and 1948

Source: Survey of Current Business, U. S. Dep't of Commerce

State	1952 % of Tot. Inc.	Rank	1951 % of Tot. Inc.	1950 % of Tot. Inc.	1949 % of Tot. Inc.	1948 % of Tot. Inc.
U. S. Total	24.5		23.9	22.6	22.1	22.4
Michigan	41.6	1	41.6	41.1	39.3	39.6
New York	24.1	17	23.3	22.2	22.0	22.3
Pennsylvania	31.8	10	31.2	28.7	29.1	30.1
Ohio	36.8	3	36.5	34.0	32.5	33.2
Illinois	29.4	12	28.6	27.4	26.6	27.2
New Jersey	35.3	6	34.5	33.1	32.9	34.4
California	18.7	26	17.1	15.2	14.4	14.4
Massachusetts	30.3	11	30.2	28.6	28.2	30.2
Indiana	35.7	4	34.8	34.2	32.7	31.9
Wisconsin	32.1	9	31.3	29.8	28.5	28.9
Connecticut	39.4	2	39.2	35.6	33.8	37.1

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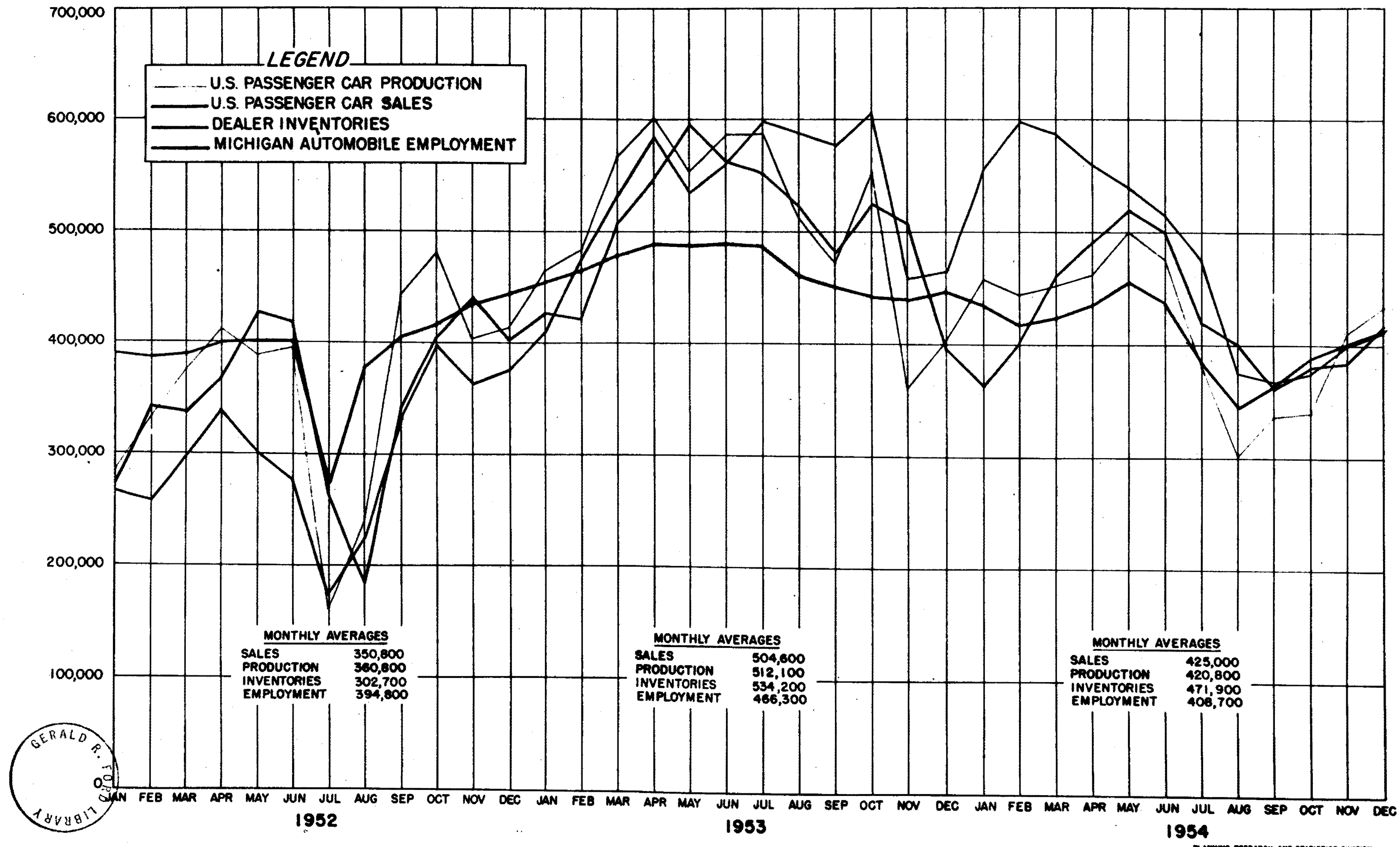
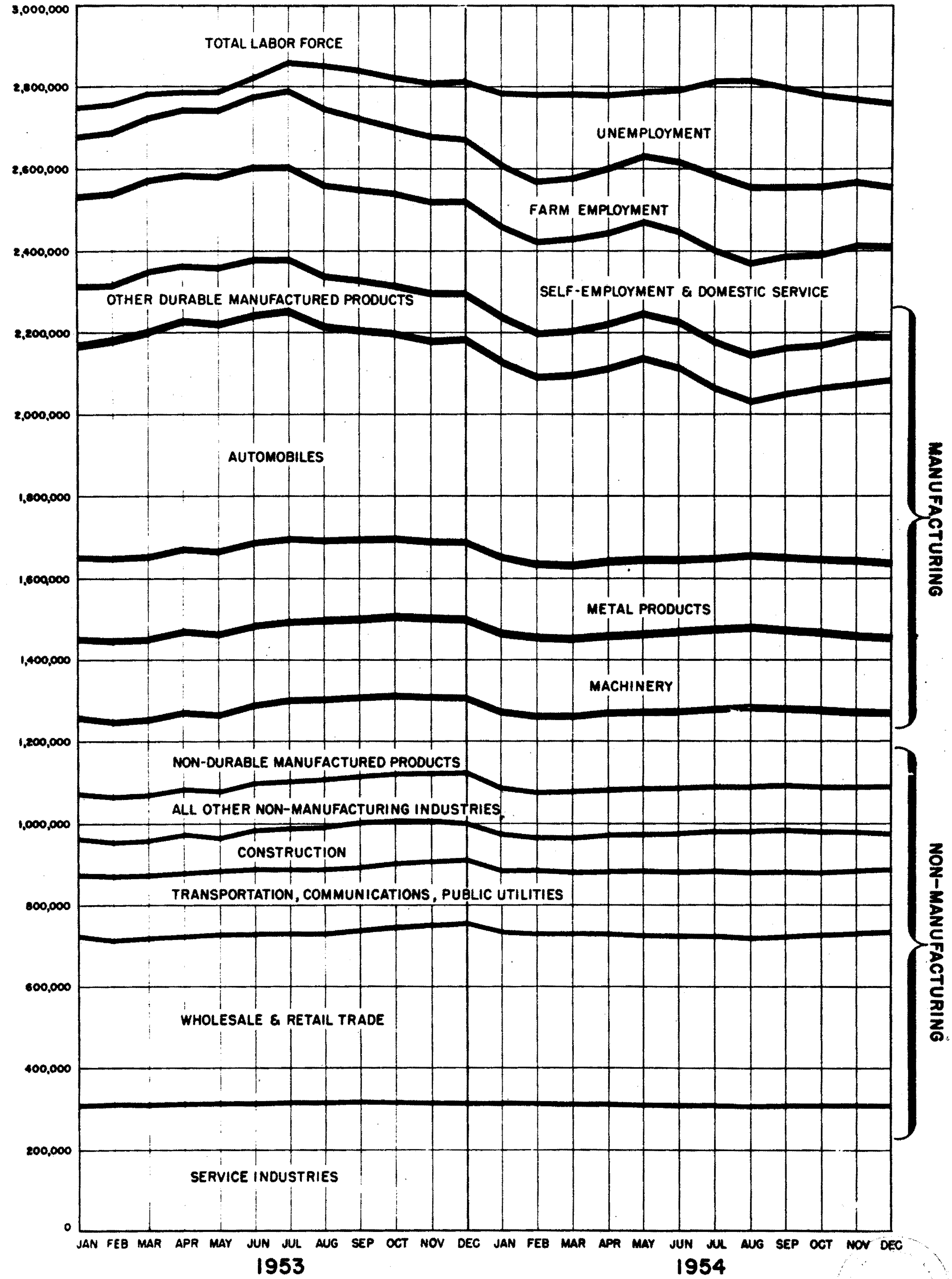
RELATIONSHIP OF MICHIGAN AUTOMOBILE EMPLOYMENT TO U.S. PASSENGER CAR PRODUCTION, SALES & DEALER INVENTORIES



MICHIGAN EMPLOYMENT & UNEMPLOYMENT

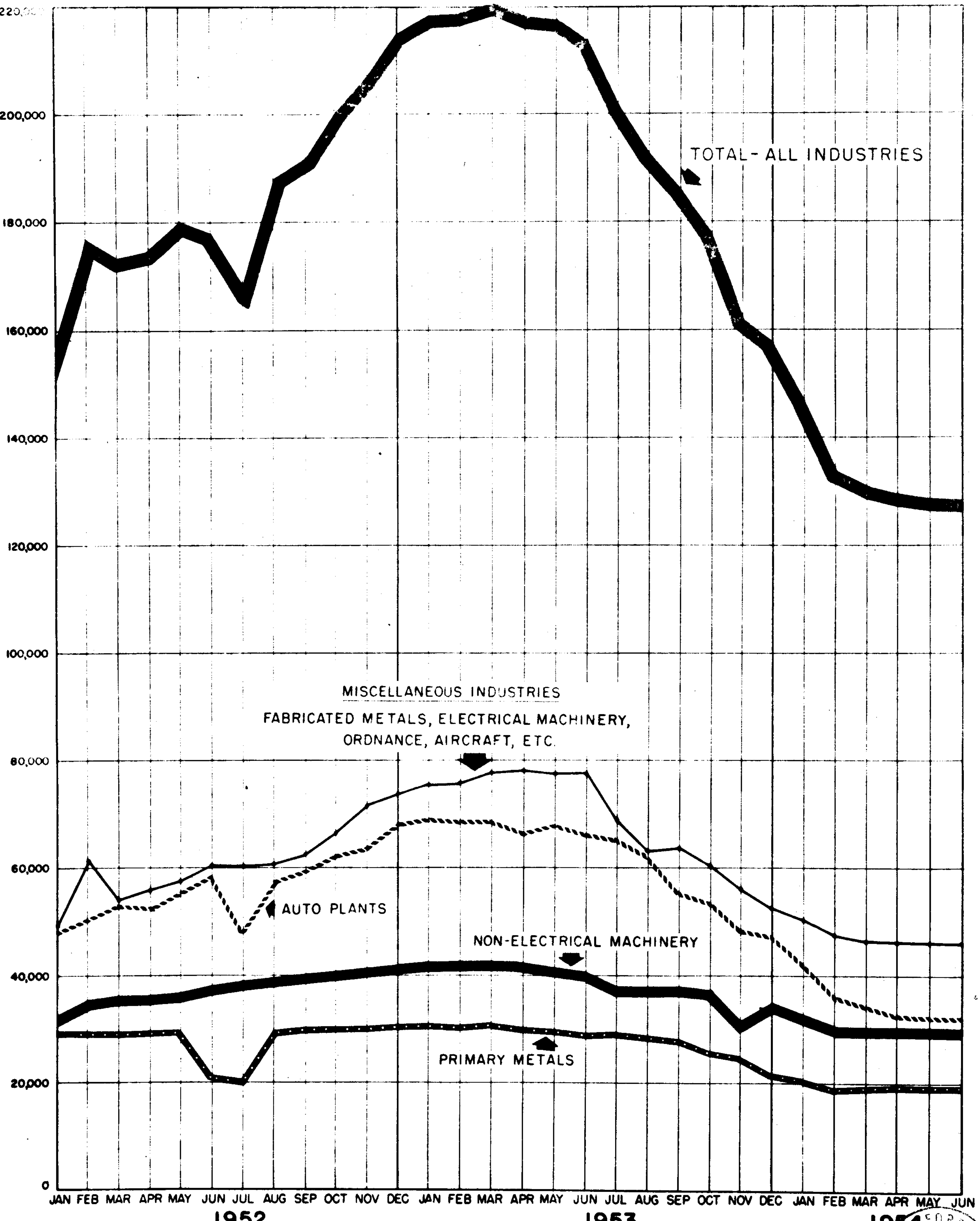
RECORD OF JAN. 1953–MAR. 1954—ESTIMATE FOR APRIL–DEC. 1954



PLANNING, RESEARCH AND STATISTICS DIVISION
MICHIGAN EMPLOYMENT SECURITY COMMISSION

DEFENSE PRODUCTION EMPLOYMENT IN MICHIGAN MANUFACTURING

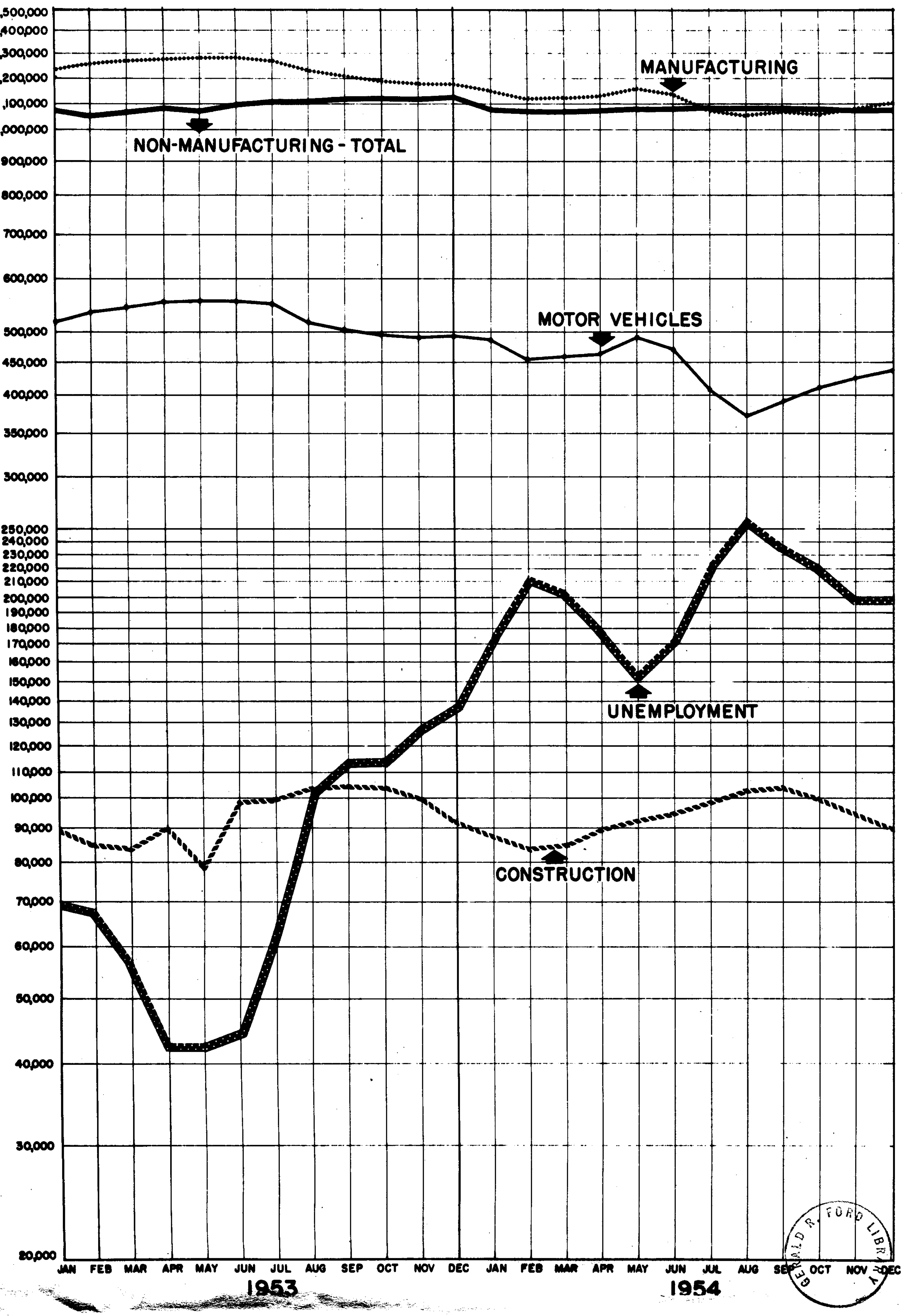
JAN. 1952—JUNE 1954



PLANNING, RESEARCH AND STATISTICS DIVISION
MICHIGAN EMPLOYMENT SECURITY COMMISSION

COMPARISON OF RATE OF CHANGE IN MICHIGAN EMPLOYMENT & UNEMPLOYMENT

RECORD OF JAN. 1953—MAR. 1954 · · · ESTIMATE FOR APR.—DEC. 1954



Michigan Employment
Security Commission

Planning, Research and
Statistics Division

SUMMARY OF LABOR FORCE CHANGES
June 1953 to March 1954

Labor Force, June 1953		2,825,000
Excess of new entrants over deaths and retirements	23,500	
Net re-entrants	9,800	33,300
Sub-total		2,858,300
Net out-migration	47,300	
Seasonal farm labor	26,000	73,300
Labor Force, March 1954		2,785,000

SUMMARY OF ADDITIONS TO UNEMPLOYMENT
June 1953 to March 1954

Unemployment, June 1953		45,000
Employment reductions in urban industries	185,000	
Net new entrants	23,500	
Net re-entrants	9,800	218,300
Sub-total		263,300
Net out-migration		47,300
Unemployment, March 1954		216,000

	Number	% of Total	% of Labor Force
Minimum Unemployment	45,000	20.8%	1.6%
Seasonal Unemployment	36,000	16.7%	1.3%
Other Unemployment	135,000	62.5%	4.9%
Total Unemployment	216,000	100.0%	7.8%

Michigan Employment
Security Commission

Planning, Research and
Statistics Division

COMPARISON OF MICHIGAN AUTOMOBILE EMPLOYMENT WITH U.S. PASSENGER CAR PRODUCTION, SALES, AND DEALER INVENTORIES

(Record through February 1954; Estimate for March-December 1954)

Period	Passenger Car Production (000)	U.S. Retail Sales (000)	Dealer Inventories		Michigan Automobile Employment		
			Number (000)	Weeks of Sales	On Auto Production (000)	On Defense Production (000)	Total (000)
1952 - January	286.5	274.7	267.8	3.41	391.5	48.5	440.0
February	331.6	340.8	258.6	3.31	389.0	51.0	440.0
March	377.3	339.5	296.4	3.50	390.5	53.5	444.0
April	411.5	368.2	339.7	3.47	400.2	52.8	453.0
May	389.7	427.4	302.0	3.13	402.5	55.5	458.0
June	395.4	419.4	278.0	4.58	402.4	58.6	461.0
July	160.1	264.0	174.1	4.07	274.6	48.4	323.0
August	238.3	186.3	226.1	2.87	379.2	57.8	437.0
September	438.8	342.3	322.6	3.46	406.5	59.5	466.0
October	482.1	405.3	399.4	3.94	419.8	62.2	482.0
November	403.8	440.0	363.2	3.92	436.3	63.7	500.0
December	414.1	402.3	375.0	3.80	444.7	68.3	513.0
Totals	4,329.2	4,210.2					
Monthly Average	360.8	350.8	302.7	M3.48	394.8	56.6	451.4
1953 - January	465.8	428.8	412.0	4.25	454.8	69.2	524.0
February	485.1	420.9	476.2	4.05	466.3	68.7	535.0
March	568.9	509.9	535.2	4.27	479.0	69.0	548.0
April	601.2	548.3	588.1	4.27	489.2	66.8	556.0
May	546.1	597.2	537.0	4.15	487.9	68.1	556.0
June	587.6	562.1	562.5	4.43	489.8	66.2	556.0
July	588.9	552.1	599.3	4.96	488.6	65.4	554.0
August	513.4	523.6	589.1	5.29	460.5	62.5	523.0
September	472.5	481.7	579.9	4.78	452.2	55.8	508.0
October	552.4	525.9	606.4	5.18	443.3	53.7	497.0
November	361.7	508.2	459.9	5.03	440.1	48.9	489.0
December	401.7	396.9	464.7	5.22	443.5	47.5	491.0
Totals	6,145.3	6,055.6					
Monthly Average	512.1	504.6	534.2	M4.69	466.3	61.7	528.0
1954 - January	456.7	364.7	556.7	6.02	434.5	42.5	477.0
February	443.3	401.5	598.5	5.78	418.6	36.4	455.0
March	450.0	460.0	588.5	5.20	420.7	36.3	457.0
April	461.5	490.0	560.0	4.67	434.2	34.8	469.0
May	500.0	520.0	540.0	4.68	457.7	33.3	491.0
June	475.0	500.0	515.0	5.42	439.4	32.6	472.0
July	380.0	420.0	475.0	5.16	381.5	30.5	412.0
August	300.0	400.0	375.0	4.53	344.7	29.3	374.0
September	350.0	360.0	365.0	4.17	365.7	28.3	394.0
October	390.0	380.0	375.0	4.22	389.1	27.9	417.0
November	410.0	385.0	400.0	4.15	400.2	27.8	428.0
December	433.5	418.8	414.7	4.59	413.5	27.5	441.0
Totals	5,050.0	5,100.0					
Monthly Average	420.8	425.0	471.9	M4.67	408.3	32.3	440.6

M = Median

Michigan Employment
Security Commission

Planning, Research and
Statistics Division

MICHIGAN LABOR FORCE CHANGES

June 1953 to March 1954

Item	Labor Force		Increase or Decrease		
	June 1953	March 1954	Total	Defense	Other
	(THOUSANDS)				
Total Labor Force	2,805.0	2,765.0	- 40.0		
Farm Employment	172.0	146.0	- 26.0		
Non-farm Labor Force	2,653.0	2,639.0	- 14.0		
Unemployment	45.0	216.0	+171.0		
Non-farm Employment	2,608.0	2,423.0	-185.0	- 82.1	-102.9
Self-Employment	223.0	223.0	0		
Wage & Salary Employment	2,385.0	2,200.0	-185.0	- 82.1	-102.9
Manufacturing	1,285.0	1,120.0	-162.0	- 82.1	- 79.9
Automobiles	556.0	457.0	- 99.0	- 31.6	- 67.4
Machinery	197.0	193.0	- 4.0	- 12.3	+ 8.3
Fabricated Metals	118.0	102.0	- 16.0	- 3.9	- 12.1
Primary Metals	85.0	75.0	- 10.0	- 9.7	- .3
Other Transpt. Equipment	42.0	20.0	- 22.0	- 15.6	- 6.4
Lumber & Wood Products	16.0	15.0	- 1.0	0	- 1.0
Furniture	24.0	23.0	- 1.0	0	- 1.0
Food Products	54.0	51.0	- 3.0	0	- 3.0
Chemicals	41.0	45.0	+ 4.0	0	+ 4.0
Paper	34.0	34.0	0	0	0
Printing & Publishing	24.0	25.0	+ 1.0	0	+ 1.0
Textiles & Apparel	15.0	15.0	0	0	0
Other Manufacturing	76.0	65.0	- 11.0	- 9.0	- 2.0
Non-Manufacturing	1,103.0	1,080.0	- 23.0		- 23.0
Construction	98.0	86.0	- 12.0		- 12.0
Transportation, Utilities	157.0	150.0	- 7.0		- 7.0
Wholesale Trade	102.0	102.0	0		0
Retail Trade	312.0	312.0	0		0
Service Industries	319.0	318.0	- 1.0		- 1.0
Government	96.0	95.0	- 1.0		- 1.0
Other Non-Manufacturing	19.0	17.0	- 2.0		- 2.0

Note: Reduction of 26,000 in farm employment is entirely seasonal, affecting only the seasonal farm labor force (does not add to current unemployment); employment reductions in urban industries are: 1. Defense — 82,100 (44.4%); 2. Seasonal — 36,000 (19.5%); 3. Other — 66,900 (36.1%).

Michigan Employment
Security Commission

Planning, Research and
Statistics Division

MICHIGAN'S LABOR FORCE
AREA AND INDUSTRY SUMMARY
March 15, 1954

ITEM	STATE OF MICHIGAN a/	DETROIT METROPOLITAN AREA	MAJOR OUTSTATE LABOR MARKETS: BATTLE CREEK	BAY CITY	BENTON HARBOR	FLINT	GRAND RAPIDS	JACKSON	KALAMAZOO	LANSING	MUSKEGON	PORT HURON	SAGINAW	UPPER PENINSULA	RESIDUAL
TOTAL LABOR FORCE	2,787,000	1,504,000	53,400	31,300	47,700	135,300	124,600	45,700	54,700	84,500	51,700	33,700	62,500	100,500	456,900
Agricultural Employment	151,000	10,000	2,800	2,600	5,900	2,500	4,100	2,500	2,200	2,800	1,300	3,500	4,200	10,700	96,100
Non Farm Labor Force	2,636,000	1,494,000	50,600	28,700	41,800	132,800	120,500	43,200	52,500	81,700	50,400	30,200	58,300	89,800	360,800
Workers Involved in Labor Disputes	4,000	2,000	-	-	100	-	1,400	-	-	-	-	-	100	-	-
TOTAL UNEMPLOYMENT	216,000	135,000	5,800	3,000	4,300	4,400	5,600	3,300	2,600	3,700	5,800	3,900	2,800	11,300	24,500
Net Change from February 1954	+ 2,000	- 5,000	- 200	+ 300	+ 300	+ 800	+ 1,700	+ 100	+ 100	+ 300	+ 400	+ 200	+ 600	+ 1,300	+ 500
Unemployment as Percent of Total Labor Force	7.8	9.0	10.9	9.6	9.0	3.3	4.5	7.2	4.8	4.4	11.2	11.6	4.5	11.2	5.4
NON-FARM EMPLOYMENT	2,416,000	1,357,000	44,800	25,700	37,400	128,400	113,500	39,900	49,900	78,000	44,600	26,300	55,400	78,500	336,300
Self Employment and Domestic Workers	223,000	114,000	4,000	3,200	3,700	9,500	9,000	3,000	4,100	4,400	3,500	2,700	5,100	8,100	48,400
WAGE AND SALARY WORKERS	2,193,000	1,243,000	40,800	22,500	33,700	118,900	104,500	36,900	45,800	73,600	41,100	23,600	50,300	70,400	287,900
Net Change from February 1954	- 10,000	-	- 200	- 600	- 100	- 2,200	- 3,100	+ 200	- 300	- 100	- 600	- 200	- 900	- 1,100	- 300
MANUFACTURING b/	1,108,000	645,000	21,200	10,800	19,200	78,000	52,600	16,800	24,200	32,700	26,400	10,500	27,000	19,100	124,900
Net Change from February 1954	- 16,000	- 2,000	- 200	- 500	-	- 2,600	- 2,800	- 100	- 300	- 400	- 500	- 300	- 500	- 1,500	- 3,400
Durable Goods Industries	922,000	558,000	12,100	9,200	15,200	75,100	42,800	14,000	9,000	31,100	24,700	7,900	24,700	12,000	86,400
Lumber and Wood Products	14,000	2,000	100	300	200	100	1,600	-	100	100	100	-	200	7,000	2,100
Furniture	23,000	4,000	-	600	200	100	8,700	100	100	-	2,300	-	500	800	5,400
Metal Industries	176,000	105,000	3,100	1,900	4,800	4,800	14,900	2,300	1,800	3,000	5,200	4,000	9,600	300	15,100
Primary Metal Products	74,000	40,000	1,000	1,400	3,500	300	1,500	500	300	2,200	4,600	3,700	8,900	300	6,100
Fabricated Metal Products	102,000	65,000	2,100	500	1,300	4,500	13,400	1,800	1,500	800	600	300	700	-	9,000
Machinery (non-electrical)	149,000	85,000	3,800	1,400	5,700	d/	7,700	2,700	1,600	2,100	9,900	600	4,700	1,300	21,900
Electrical Machinery	37,000	8,000	900	900	1,300	d/	1,200	1,500	400	100	500	-	500	800	8,500
Transportation Equipment	477,000	331,000	4,000	3,800	2,500	54,000	4,500	6,300	2,600	25,300	5,300	2,600	8,900	400	26,200
Motor Vehicles and Equipment	456,000	321,000	2,600	3,600	2,400	54,000	500	6,200	2,200	25,300	5,300	1,800	8,800	100	22,400
Other Transportation Equip.	21,000	10,000	1,400	200	100	-	4,000	100	400	-	-	800	100	300	3,800
Other Durable Goods Manufacturing	46,000	23,000	200	300	500	16,100	4,200	1,100	2,400	500	1,400	700	300	1,400	7,200
Non-durable Goods Industries	186,000	87,000	9,100	[illegible]	4,000	2,900	9,800	2,800	15,200	1,600	1,700	2,600	2,300	7,100	38,500
Food and Kindred Products	51,000	23,000	7,000	1,000	500	1,100	2,800	600	800	700	300	300	1,600	1,600	9,400
Text. Mill Products and Apparel	15,000	6,000	-	400	300	500	1,300	400	600	-	100	400	100	800	3,900
Paper and Allied Products	33,000	8,000	1,500	-	1,800	100	1,300	-	9,700	-	700	600	100	1,700	7,300
Printing, Pub. and Allied Ind.	25,000	15,000	500	200	900	700	2,000	300	900	700	200	200	300	500	2,800
Chemicals, Petro., and Coal Prod.	44,000	24,000	100	-	-	500	600	200	3,000	200	200	800	100	1,600	12,700
Other Non-durable goods Manufact.	18,000	11,000	-	-	500	-	1,800	1,300	200	-	200	300	100	900	2,400
NON-MANUFACTURING b/	1,085,000	598,000	19,600	11,700	14,500	40,900	51,900	20,100	21,600	40,900	14,700	13,100	23,300	51,300	163,000
Net Change from February 1954	+ 6,000	+ 2,000	-	- 100	- 100	+ 400	- 300	+ 300	-	+ 300	- 100	+ 100	- 400	+ 400	+ 3,100
Construction	87,000	48,000	1,600	900	700	6,000	3,000	1,300	2,300	2,600	900	1,300	1,600	3,800	12,500
Transp., Commun., & Utilities	150,000	85,000	3,100	1,400	2,200	3,700	8,300	4,600	2,400	3,500	2,200	3,300	3,500	6,100	21,100
Wholesale Trade	103,000	64,000	1,000	1,000	1,300	2,600	6,400	1,500	2,000	3,100	1,200	600	3,000	2,000	13,100
Retail Trade	312,000	169,000	6,000	3,700	4,800	14,000	16,200	5,800	6,300	10,300	4,800	4,200	7,200	10,400	49,000
Service	320,000	179,000	6,800	3,600	4,300	11,700	14,100	4,600	7,300	13,900	4,100	2,700	6,400	11,000	51,000
Government c/	95,000	52,000	1,100	1,100	1,100	2,900	3,600	2,100	1,200	7,300	1,300	1,000	1,500	5,900	12,900
Other Non-Manufacturing	18,000	1,000	-	-	100	-	300	200	100	200	200	-	100	12,100 e/	3,400

a/ State totals do not equal summation of individual areas because of rounding.
b/ Distribution by industry includes wage and salary workers only. This does not include self-employed persons, domestic workers, or unpaid family workers.
c/ Employees of government-operated public utilities are included in "Transportation, Communication and Utilities". Teachers are included in the "Service" industry figures.
d/ Included in other durable goods manufacturing to avoid disclosure.
e/ Data includes 8,400 workers in iron mines and 2,500 workers in copper mines.

REMARKS OF SENATOR JOHN F. KENNEDY TO BE DELIVERED AT CHATTANOOGA, TENNESSEE, THURSDAY, DECEMBER 10, 1953, P.M.

It is a great pleasure to be here today in Tennessee, and to become better acquainted with your famous and justly celebrated state. I value most highly my association in the United States Senate with two of the most able members of that body, Estes Kefauver and Albert Gore, with both of whom I had the pleasure of serving in the House of Representatives, and I can assure you that they have wasted no opportunity to tell me about the advantages and assets of the Volunteer State. I am also a long admirer of your Andrew Jackson, and have framed on my Senate office wall a letter of President Jackson in 1836 warning against "attempts to build up political power irresponsible to the will, or faithless to the trusts, of the majority."

Only a short time ago I had an opportunity to learn more details about Tennessee's industrial development in a special advertising supplement to the Sunday NEW YORK TIMES. I acquired a good many copies of that paper because it also contained an article by myself describing some of the problems currently facing New England, including southern competition. The Tennessee advertising section substantiated, rather than contradicted, many of the points in my article.

I would like to discuss with you today some of the issues which concern New England and the South with respect to this whole question of industrial development and migration.

Possibly you will say that you know of no instances where companies have abandoned their Massachusetts plants and simultaneously established the same operations in Tennessee. But the process of industrial migration is more subtle and indirect. More often, firms start by operating mills in both New England and the South, then abandon their northern plants in periods of decline and later expand their southern operations when prosperity returns. Beginning chiefly with cotton textiles over 25 years ago, this pattern of industrial migration has spread to other industries. Since 1946, in Massachusetts alone, 70 textile mills have been liquidated, generally for migration or disposition of their assets to plants in the South or other sections of the country. Besides textiles, there have been moves in the machinery, hosiery, apparel, electrical, paper, chemical and other important industries. Every month of the year some Massachusetts manufacturer is approached by public or private southern interests, including Tennessee, offering various inducements for migration southward. Other manufacturers warn their employees that they must take pay cuts to meet southern competition or face plant liquidations.

Why do our industries move to Tennessee and to the South, with all of the attendant consequences to their employees and community?

It would be unfair to imply that your natural advantages have not been responsible for a large share of this industrial migration. Perhaps most important of all, the South has a much larger supply of farm workers to draw upon for industrial employment, permitting wider selection of the most productive employees. Pure, fresh water; nearness to raw materials and production factors; greater space; a milder climate; and the hospitality shown new industries in new areas are also southern advantages which should not be denied. Nor should we deny or seek to hamper the rapid efforts of the South to obtain for itself some of New England's own many and well-known advantages, in skilled labor, research, markets and credit facilities.

However, it is an unfortunate fact that the southward migration of industry from New England has too frequently taken place for causes other than normal competition and natural advantages, which causes I shall detail in a moment. It is particularly unfortunate when one realizes the impact such industrial migration has upon New England. Although our states are far from depressed or undeveloped, and our citizens still enjoy a standard of living and per capita income above that of the nation as a whole, the lack of sufficient new industry to replace the old plants lost to the South has retarded New England's economic growth. Its industrialization, manufacturing employment, share in particular industries, and per capita income have not kept pace with increases in the rest of the country, even in 1953, one of our most prosperous years. What is true of New England generally is particularly true in Massachusetts, where we have been unusually dependent upon manufacturing as a source of employment and income.

In Tennessee, on the other hand, the trend has been in the opposite direction. Between 1939 and 1952, the number of manufacturing plants and wages in Tennessee more than tripled; the number of manufacturing employees nearly doubled; and the value of manufacturing output has increased by some 450%. Thousands of new industries, and billions of dollars in investment in plant expansion, have poured into this state. The same trend, of course, is true for the South as a whole. The 11 Southeastern states, for example, between 1929 and 1950 increased their per capita income 179%. The gain for the nation as a whole was 111%; for New England, 85%.

It would be wrong for New England to attempt to retard industrialization of the South. Although New England is at a locational disadvantage in reaching the rapidly expanding markets of the Southeast and the Southwest, New England, who must sell to the South, benefits from this tremendous increase in purchasing power. To the extent that locational advantages of southern industries offer real efficiency, New England consumers share the benefits of such efficiency with the entire nation.

But while recognizing New England's gains from southern industrialization, and the natural advantages of southern industry, we must also recognize that the serious consequences of industrial migration are not all due to these natural advantages.

There are two other major reasons influencing this remarkable industrial development. The first has been the influence of Federal programs. The Tennessee Valley Authority, which I shall discuss in more detail in a moment, is only one of these. Tennessee has also received from the Federal Government a disproportionate share of government contracts, tax amortization certificates, federal construction projects, grants in aid, and similar aids to its economy in comparison with Massachusetts, partly due to our own uninterest. In 1952, Massachusetts, with 50% more population than Tennessee, received 1% of the value of federally financed construction projects; while Tennessee received nearly 15% of such contracts. Massachusetts, in fiscal 1952, contributed nearly 4 times as much as Tennessee to the Federal Government in taxes; but Tennessee received from the Federal Government 4 times as much as Massachusetts in expenditures for rivers, harbors, and flood control projects under the Army Engineers. The latest figures available show that, as of one year ago, tax amortization certificates had been awarded Tennessee valued at twice those awarded Massachusetts, despite the fact that Massachusetts deserved a larger proportion than Tennessee in terms of manufacturing capacity, defense contribution, proportion of industry, need for expansion, and so forth.

The second major reason -- influencing industrial migration from New England to the South and the relative development of those two areas -- is the cost differential resulting from practices or conditions permitted or provided by Federal law which are unfair or substandard by any criterion. An inadequate minimum wage permits industries moving South to pay wages below the subsistence level. A weakened Walsh-Healey Public Contracts Act permits them to bid for Federal contracts despite wage levels substantially below their northern competitors. A Labor Relations Act which has frozen unionization permits employers to run away from unions and particularly a union shop by moving to Tennessee or other southern states. Various tax loopholes encourage migration to take advantage of tax-free plants, charitable trusts, and other privileges. These are some of the Federal policies which unduly accentuate this cost differential and industrial migration.

Although time does not permit us to examine each of these aspects of the struggle for industry between New England and the South more closely, permit me to cite in contrast two examples of inducements which Tennessee offers to industry through the NEW YORK TIMES advertisement -- the Tennessee Valley Authority, an example of a Federal program which has been greatly beneficial to Tennessee although Massachusetts and New England have no comparable program; and your tax-free plant and site program, an example of what I deem to be unfair competition.

First: There is no denying the fact that the low cost power made possible by the TVA is a consideration in the location and development of business. The man who wants to start a moderate sized industry with a demand of 500 kilowatts and a monthly use of 100,000 kilowatt hours finds his annual electric bill in Boston would be $26,800; in Chattanooga $11,000. There is not a single Federal hydro-electric project in the state of Massachusetts or indeed in the entire six-state New England area. There is not a single R.E.A. cooperative or utility district, such as you have in Tennessee, in the whole state of Massachusetts. We do have municipally-owned electrical plants in Massachusetts similar to yours; but they must purchase their power from the private utilities at rates nearly twice as high as those paid by your municipal system here. Interestingly enough the rates in these two regions were at approximately the same levels in 1932; but by 1948, the bills for 250 kilowatt hours a month had declined about 18% in New England and about 47% in Chattanooga.

It is my position, a position not shared by all segments of opinion in New England, that our answer to your power advantage in the struggle for industry should not be attempted dilution of power development in Tennessee; but instead the development of our resources in Massachusetts and New England. The TVA is not "creeping socialism" because it attracts industry which might otherwise locate, remain or expand in New England. It is a challenge to us to seek further utilization of our own natural resources. I do not want to see your electric bills for industrial power go up; I want to see our bills go down.

Perhaps Massachusetts will never enjoy the same advantages in the field of power as Tennessee. Our fuel costs are higher; we have fewer land areas which can suitably or profitably be flooded; and our river valleys are less adaptable to power and multi-purpose development. Nevertheless, the power potential of the rivers of Maine and other New England states, of a tidal project at Passamaquoddy, of the St. Lawrence and Niagara, have not yet been fully tapped. The current Federal Inter-Agency Survey of Water Resources has been continually hamstrung, and its conclusion postponed, by inadequate appropriations. If New England can see this comprehensive survey financed and completed, and obtain therefrom a comprehensive formula for its power development, we will be able to move ahead with definite knowledge and goals.

But if we are to pursue these objectives, we need the help of the South. I am hopeful that southern Congressmen and Senators will not attack any such program, as some of them have attacked appropriations for this Inter-Agency Survey; and still more have opposed other programs to bolster the economy of New England -- including Defense Manpower Policy 4 assisting labor surplus areas to get defense contracts, and the Walsh-Healey Act, to which they attached the restrictions of the Fulbright Amendment -- as "Federal interference with the forces of free competition." For, as I have previously pointed out, the South has long recognized more than any other region the tremendous importance that the Federal Government can play in developing the resources of an area. Moreover, so interdependent is the economy of the United States that any increase in tempo in New England from the development of its power potential or other aids will stimulate industry in the South.

Let us turn now from the TVA, which incidentally I will be touring this week, to the Tennessee Industrial Revenue Bond Building Act of 1951. It is my understanding that this Act, as amended in 1953, authorizes all incorporated municipalities and counties to erect buildings and acquire sites, as inducements to new industry, through the issuance of revenue bonds. The NEW YORK TIMES advertisement goes on to proclaim proudly:

> "Since the bonds are exempt from state and federal taxation, and most materials used in the building are also tax exempt, it is possible for local governments to provide factory space at a lower financial outlay in most cases than would be possible for such space to be provided by private financing."

This constitutes, in my opinion, unfair competition to the private companies which must pay higher interest rates to finance taxable bonds for a new plant. Indeed, in effect, the taxpayers of Massachusetts and every other state are handing a subsidy to Tennessee and the industry moving into Tennessee and other southern states to take advantage of this subsidy. Textile, apparel, machine, leather, abrasive, paper and other important industries have been lured to these states at least partly through the use of industrial development revenue bonds. I understand that last year the city of Elizabethton, Tennessee, approved a 6 million dollar bond issue to finance the erection of a plant for Textron, Inc., once a major source of employment in New England. Although this particular deal apparently fell through, Textron has located many of its southern plants through the use of various tax loopholes, including charitable trusts. I am also told that the city of Lawrenceburg, Tennessee, planned to build a 4.5 million dollar plant for the Wamsutta Mills, a New Bedford, Massachusetts, firm. Again, this was one arrangement which did not work out, partly because investment bankers are increasingly reluctant to handle such bonds. But I am sure you know of many more successful examples, not only in Pulaski and Merryville, Tennessee, but other parts of the South, involving firms from New England and elsewhere.

Why are such securities exempted from federal income taxes when they are issued for a proprietary rather than for a public purpose? The U. S. Chamber of Commerce, the Investment Bankers Association, the Municipal Finance Officers Association, the American Bar Association's Section of Municipal Law and others have all condemned this practice.

I am hopeful that southern spokesmen and statesmen, including your able Representatives in Congress from Tennessee, will assist me in my efforts to plug up this federal tax loophole. In the long run, fair competition is just as important to the South as it is to any other section. There are areas in Tennessee and the Southeast which already share New England's troubles of surplus labor areas, a declining textile industry, one-industry towns, and the out-migration of industries to take advantage of unfair inducements elsewhere. These are all problems, in fact, that exist now in many parts of the country and which will multiply as the economies of those regions mature; and which will particularly trouble the Southeast because of your dependence on textiles, already hit by the impact of synthetic fibres, foreign competition and migration. Chattanooga, Knoxville, Memphis and Nashville have all experienced some labor surplus.

Moreover, tax subsidies are no foundation on which to build stable industries. Virginia repealed its tax exemption law in 1946, on grounds that it meant unstable industry and an unstable tax base. It was unfair to existing business, said one Virginia spokesman, for "someone has to pay in the long run."

Although 6 southern states besides Tennessee have statutes offering tax exemptions to new industries, the others do not. The Southeastern States Tax Officials Association has condemned the practice of tax-free municipal plants as "inequitable and unfair to industry in the state and detrimental to the taxpayers of the state because what is given away must be paid for by other businesses and individuals, ultimately, thereby creating an unhealthy social and economic condition."

Industries thus attracted are migrants, not new enterprises. Their home offices are generally not in Tennessee, but in New York, Boston or elsewhere. Once having accepted your tax benefits and a few years of heavy profits, they may again move, leaving your community as well with empty buildings, stranded workers and a heavy bond issue. As such use of public credit spreads, no community can be sure of the stability of the enterprises on which its citizens depend for their livelihood. I am told that your town of Elizabethton, with only 10,000 people, had $26 million in municipal bonds for private industrial plants in February 1952, and was planning another issue to bring this total to $51 million, or an additional debt load of more than $5,000 plus interest for every man, woman, and child in the town! What happens when their new-found benefactors leave for another bargain elsewhere?

I intend to work for the elimination of unfair competition of this character in Congress, and urge the South to support this move for its own benefit. This is not an issue between North and South, but one concerning the stability and integrity of our entire national economy. The competitive struggle for industry will and must go on, but it must be a fair struggle based on natural advantages and natural resources, not exploiting conditions and circumstances that tend to depress rather than elevate the economic welfare of the nation.

Contrast, if you will, your TVA with your program of tax-exempt factories. The one utilizes the vast resources of the Federal Government to develop publicly the natural, human, and material resources of an area; the other robs the Federal Government of its tax dollars by utilizing a public advantage for private gain. The one contributes immeasurably to the economic progress of our nation and all of its citizens; the other abuses a federal tax policy in order to benefit one section of the country at the expense of another. The one sets a standard for all the nation to admire and emulate; the other offers a path which is eventually self-destroying for those who follow it.

New England's answer to the South lies neither in prohibiting federal power and other programs aiding the South; nor, as some have maintained, in cutting wages or social benefits in New England or meeting subsidy with more subsidies; for in the end all of us are harmed and our problems remain unsolved. Instead positive action is required. For this reason I presented to the Senate in May of 1953 a comprehensive program calling for federal legislation aimed at the correction of these abuses.

I called for action to aid the expansion and diversification of industry in our older areas to replace the traditional industries lost through migration. Such aid would include providing loans and assistance to small business, retraining unemployed industrial workers, tax amortization benefits for industries expanding in areas of chronic unemployment, developing natural resources, and aiding local industrial development agencies. I further called for more adequate security for the jobless and aged who are the victims of industrial dislocation. But that is not enough. The Minimum Wage, Walsh-Healey, Taft-Hartley, Unemployment Compensation and Social Security Laws must be improved to prevent the use of substandard wages, anti-union policies and inadequate social benefits as lures to industrial migration. Tax loopholes must be closed, and equal consideration given to all areas in the administration of policies dealing with tax write-offs, transportation rates or government contracts and projects; for these should not properly be factors inducing plant migration.

These are some of the policies within the jurisdiction of the Federal Government affecting New England's economic status. At no time did I suggest in this program that any solution of New England's difficulties must be at the expense of the economic well-being of the South. I was anxious that the program be studied not as a political or regional issue, with heated arguments and oversimplified solutions, but rather as a program of mutual benefit for all, based upon the inter-dependent economies of New England, the South and the nation. It was not my intention to absolve New England itself from all responsibility for its economic ills, or to make the South our whipping-boy in an appeal to the emotions of the man on the street. This is a problem upon which inter-regional cooperation, not political antagonisms, is needed. It calls, not for a single simple solution, but many steps consistent with the approach I have outlined.

The South, instead of fighting such a program, should welcome it for the stability that it promises and the safeguards that it assures to the South's new and proud industrialization. It is a common goal that lies ahead of us -- the expansion and prosperity of every section of the nation, not the ephemeral aggrandizement of one at the expense of another through the exploitation of impermanent and ultimately self-destroying values. In checking such practices, the alliance of both South and North is needed if we would carry out our common pledge "to promote the general welfare and to secure the blessings of liberty to ourselves and our posterity."

In his first year as the Junior Senator from Massachusetts, **John F. Kennedy** *in three incisive speeches hit hard at the unfair competitive practices that have led industry to migrate from New England to the South. He argued that substandard wages and tax subsidies are no foundation on which to build a stable economy, and then presented his program for a fairer competition — a program which he has graphically illustrated in the article which follows. Born in Brookline, educated at the London School of Economics and at Harvard, he made a heroic record as a PT boat commander in the war; then on his return to civilian life he was elected to the House of Representatives and served in the 80th, 81st, and 82nd Congresses. In 1952 he was elected to the Senate.*

NEW ENGLAND AND THE SOUTH

The Struggle for Industry

by JOHN F. KENNEDY

1

Nearly 14,000 employees working for the John Doe Company, a New England textile concern, lost their jobs in the period following World War II because of the liquidation of thirteen of their mills. During the same period, the same company opened a large number of new plants in the South. It had "migrated." Why? To what extent was it influenced by natural advantages, by unfair practices, or by the policies of the Federal government?

For one southern operation, the John Doe Company bought a surplus naval factory at a low price; and for another, it obtained an accelerated tax amortization certificate from the Federal government, authorizing it to depreciate its plant within five years rather than the normal period of twenty to twenty-five years. It also utilized a Federally tax-exempt charitable trust in order to avoid taxes on several of its new southern operations, and negotiated with three southern communities for the building and equipping of more new plants through the issuance of municipal revenue bonds that are exempt from Federal taxation.

Not a single one of the John Doe Company's southern plants has been organized by a labor union, although attempts at unionization have been made for more than ten years. Injunctions, employer propaganda, and procedural delays under the Taft-Hartley Act have prevented the union from keeping any foothold gained through representation elections. Partly as a result of these maneuvers, the wage scales at the southern plants are all considerably lower than the prevailing union wage scale in the liquidated New England mills. The Bureau of Labor Statistics states that 86 per cent of the woolen textile workers in the southeastern part of the United States operate under contracts calling for minimum entrance rates of $1.05 or less, whereas only 6 per cent of the New England workers have a minimum as low as this. At four plants in South Carolina and Georgia the John Doe Company obtained "learner permits" allowing it to pay many workers, over a period of time, less than the outmoded Federal minimum wage of 75 cents an hour.

The Board Chairman of John Doe testified before a Senate subcommittee comparing the cost of his southern and New England operations. Power cost per kilowatt-hour was 7.4 mills at his Alabama plant as compared with 17 mills at his Rhode Island plant. Transportation rates were one third lower for equal distances, unemployment compensation taxes were half as great, and employee pension and vacation plans in operation at northern plants were not customary in southern plants.

One may think that this hypothetical case — which is actually a combination of two true cases — is an extreme example. But it is by no means untypical in revealing the pattern of industrial migration from New England to the South. Since 1946, in Massachusetts alone, seventy textile mills have been liquidated, generally for migration or disposition of their assets to plants in the South or other sections of the country. Besides textiles, there have been moves in the machinery, hosiery, apparel, electrical, paper, chemical, and other important industries. Every month of the year some New England manufacturer is approached by public or private southern interests offering various inducements for migration southward. Other manufacturers warn their employees that they must take pay cuts to meet southern competition or face plant liquidations.

In only a small number of cases does direct migration take place through closing New England plants and transferring their operations to southern plants. More often, firms start by operating mills in both New England and the South, then tend to abandon their northern plants in periods of decline and later expand their southern operations when prosperity returns.

Such a movement has been going on for more than twenty-five years in the cotton textile industry. In 1925 New England had 80 per cent of the industry; now it has 20 per cent. Former Governor of Georgia Ellis Arnall and other southerners have freely predicted that the South will also "capture" the woolen and worsted industry, two thirds of which is still in New England, and large segments of other manufacturing groups.

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WHY do industries move south, with all of the attendant consequences to their employees and community?

It would be unfair to imply that the South's natural advantages have not been responsible for a large share of this industrial migration. Perhaps most important of all, the South has a much larger supply of labor, primarily from the farms, to draw upon for industrial employment, thus enabling employers to select the youngest and most adaptable. Pure, fresh water; nearness to raw materials and production factors; greater space; a milder climate; and the hospitality shown new industries in new areas are also southern advantages which should not be denied. Nor should we seek to hamper the rapid efforts of the South to obtain some of New England's many and well-known advantages, in skilled labor, research, markets, and credit facilities.

Another major reason has been the influence of Federal programs. The best example of this is the cost of electric power. The man who wants to start a moderate-sized industry with a demand of 500 kilowatts and a monthly use of 100,000 kilowatt-hours would pay an annual electric bill in Boston of $26,800, but in Chattanooga only $11,000. New England, it should be noted, has not yet acquired for itself a single Federal hydroelectric project.

But the final reason for migration, with which I am particularly concerned, is the cost differential resulting from practices or conditions permitted or provided by Federal law which are unfair or substandard by any criterion. Massachusetts manufacturing industries in May of 1953 paid an average hourly wage of $1.64; but because the Federal minimum is only an outdated 75 cents an hour, many industries migrating to the rural communities of Mississippi pay workers only that less-than-subsistence wage, and those employees under "learners permits" even less. Practically all New England woolen textile mills pay a wage of at least $1.20 an hour; but because of the recent Fulbright Amendment to the Walsh-Healey Act, which has held up the establishment of this wage as the new Federal minimum for that industry, the New England mills must bid for government contracts against southern mills paying only $1.05 an hour. Labor organizations in highly unionized New England have achieved not only better wages but pension and fringe benefits as well. In the South, however, unionization of competing plants has been virtually halted since enactment of the Taft-Hartley Law.

Without adequate Federal standards for social security or unemployment compensation, many employers who move south support a level of benefits far below those paid by New England industry. Federal tax amortization benefits have not only been disproportionately granted to southern plants, but have also been granted to promote expansion in the South without regard to available facilities and manpower in New England. Federally regulated shipping rates by rail, truck, or sea discriminate unduly against New England and are a confused, shapeless mass of regulation. One of the most obviously unfair inducements offered to those considering migration is the tax-free plant built by a southern community with the proceeds of Federally tax-exempt municipal bonds.

It is therefore an unfortunate conclusion that the southward migration of industry from New England has too frequently taken place for causes other than normal competition and natural advantages.

This is particularly unfortunate when one realizes the effect of such industrial migrations upon the communities left behind. In Massachusetts alone, over 30,000 jobs have been lost in the textile industry since 1946. When the Kilburn Cotton Mill in New Bedford, Massachusetts, was partially liquidated and moved to North Carolina, 1000 workers lost their jobs. In Lawrence, particularly dependent upon the textile industry, post-war liquidations and migrations caused approximately one fifth of all workers to be without jobs continually from 1947 to early 1953 — the period of the greatest prosperity in American history. Nearly 5 million square feet of industrial plant stood idle. Over $11 million annually was paid out in unemployment insurance benefits which were exhausted by over 50 per cent of the thousands of unemployed. Today Lawrence and the other one-industry towns in New England have made a remarkable recovery, partly through improvement in the textile industry but also through the fullest utilization of Yankee initiative and natural advantages in developing new, more stable industries to replace the old.

But current threats of further migration, including the largest woolen manufacturer in the nation, again endanger the improved employment status in these communities.

These labor surplus areas are just one effect which the years of industrial migration have had upon older manufacturing regions. Although the New England states are far from depressed or undeveloped, and their citizens still enjoy a standard of living and per capita income above that of the nation as a whole, the lack of sufficient *new industry* to replace the old plants lost to the South has retarded New England's economic growth. Its industrialization, manufacturing employment, and per capita income have not kept pace with increases in the rest of the country. The year 1952–1953 was one of New England's most prosperous years; yet the region lagged behind national increases in total income and manufacturing payrolls and suffered a serious loss of employment in nonelectrical machinery, textiles, apparel, leather products, and several other industries. In all too many cases migration southward was directly responsible for this job loss, even in the newer hard-goods industries such as electrical machinery. The losses which would be suffered in the event of a general recession or another textile crisis would be drastically more severe in New England than in any other area of the country.

In contrast, as pointed out by Oscar Handlin in the December issue of the *Atlantic*, the South is becoming industrialized at a pace we must all admire. In 1951 the South added, on the average, one multimillion-dollar plant a day. In that year capital investment in new southern plants reached $3 billion. Included among the new plants of the past few years are well over a hundred new woolen and worsted mills. During the past two decades, the South's multiple increases in the sale of goods manufactured, in value added by industry to raw materials received, in number of new independent businesses, in construction, in industrial employment, in total income payments, in total wages and salaries, in wage rates, and in per capita income payments have been many times as great as the rate of increase for the United States as a whole, for New England, or for any other region. The eleven southeastern states, for example, between 1929 and 1950 increased their per capita income 179 per cent. The gain for the nation as a whole was 111 per cent, for New England 85 per cent.

It would be wrong for New England to attempt to retard industrialization of the South. It is wrong to say, as did a Boston newspaper editorial, that the South is trying to "impoverish New England." Although New England is at a locational disadvantage in reaching the rapidly expanding markets of the southeast and the southwest, New England must sell to the South and the nation as a whole. New England thus benefits from this tremendous increase in southern and national purchasing power and prosperity. To the extent that locational advantages of southern industries offer real efficiency, New England consumers share the benefits of such efficiency with the entire nation.

New England knows it cannot shrink from competition with the South. The TVA is not "creeping socialism" because it attracts New England industry. It is a challenge to us to seek further utilization of our own natural resources. The modern plants and machines of the South, and the new and vigorous ideas of southern manufacturers, set a standard which New England industry should emulate, not try to destroy.

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However, I must reiterate that Federal policies have in many instances contributed to the unfair competitive practices or unfair inducements which have led to industrial migration. The answer lies neither in prohibiting Federal power and other programs aiding the South, nor, as some have maintained, in cutting wages or social benefits in New England or meeting subsidy with more subsidies; for in the end all of us are harmed and our problems still remain unsolved. Instead positive action is required. For this reason I presented to the Senate in May of 1953 a comprehensive program calling for Federal legislation aimed at the correction of these abuses.

I called for action to aid the expansion and diversification of industry in our older areas in order to replace the traditional industries lost through migration. Such aid would include providing loans and assistance to small business, retraining unemployed industrial workers, providing tax amortization benefits for industries expanding in areas of chronic unemployment, developing natural resources, and aiding local industrial development agencies. I further called for more adequate security for the jobless and aged who are the victims of industrial dislocation. But that is not enough. The minimum-wage, Walsh-Healey, Taft-Hartley, unemployment compensation, and social security laws must be improved to prevent the use of substandard wages, anti-union policies, and inadequate social benefits as lures to industrial migration. Tax loopholes must be closed, and equal consideration given to all areas in the administration of policies dealing with tax write-offs, transportation rates, and government contracts and projects; for these should not be factors inducing plant migration.

These are some of the policies within the jurisdiction of the Federal government affecting New England's economic status. At no time did I suggest in this program that a solution of New England's difficulties must be at the expense of the economic well-being of the South. I was anxious that the program be studied not as a political or regional issue, with heated arguments and oversimplified solutions, but rather as a program of mutual benefit for all, based upon the interdependent economies of New England, the South, and the nation. It was not my intention to absolve New England from all responsibility for its economic ills, or to make the South a whipping boy in an appeal to the emotions of the man on the street. This is a problem upon which interregional coöperation, not political antagonisms, is needed.

Unfortunately, perhaps owing to incomplete reports in the public press, my position was not so understood by most southern newspapers. I was accused in editorials appearing all the way from Greenville, North Carolina, to San Antonio, Texas, of "blatantly asking for special and unusual consideration . . . attempting punitive legislation against the South . . . seeking Federal interference to help New England and hurt the South . . . and projecting on a legislative scale the North-South row at the 1952 Democratic National Convention."

Some of my colleagues in the United States Senate and House of Representatives also misunderstood my position. I did not, as Senator Maybank implied in his speech hailed by the southern press as an answer to "The Kennedy Program," seek "to transfer the faults and ailments which caused (New England's) hardships to other regions." Certainly I hope I was not one of those New England "spokesmen" who, Representative Chatham of North Carolina said, had "cried so pitifully over an empire which has lost its control over the rest of the country."

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I SINCERELY believe that any future economic revival in New England, and my proposals for fair competition under existing Federal statutes, will aid, not injure, the prosperity of the South. I say that for four reasons: —

First, so interdependent is the economy of the United States that any increase in tempo in New England will stimulate industry in the South. When New England prospers, as it has in recent months, the South and all sections of the country that depend upon New England for markets and sources of supply are also benefited. New England's role in our economic stability and, I might add, in our mobilization effort is fundamental. The progress that the South has made in the past two decades has had a measurable effect on the welfare of the people all over the country. It is, I am sure, of importance to the entire United States that the New England economy remain a strong and viable force in the economic life of the country.

Secondly, surplus labor areas, a declining textile industry, inadequate use of water resources, one-industry towns, the debilitating effects of long-term unemployment and economically insecure old age, all trouble to some degree certain areas and industries in the South as well as in New England. Some North Carolina communities, for instance, were hard hit when the hosiery industry moved to lower wage areas further south and in Puerto Rico. These are all problems that now exist in many parts of the country, and they will multiply as the economies of those regions mature.

It is imperative for the newer industrialized areas such as the Southeast to plan now for their "old age." When other areas, in Latin America and Asia, are industrially developed, the South will suffer the same pangs of aging now suffered by New England. This is particularly true because of the concentration of the southeast states upon the vulnerable American textile industry. In 1950 the three largest textile states of the South had 57 per cent, 67 per cent, and 39 per cent of their manufacturing employment in textiles. Already employment in these states has been affected by the impact of synthetic fibers, foreign competition, and migration on the cotton textile industry.

Third, the South is certain to seek Federal measures to alleviate these problems, just as it utilized Federal assistance in the days when Franklin Roosevelt called it "The Nation's Number One Problem Area." Thus it does not behoove some southern spokesmen now to attack programs channeling defense contracts to labor surplus areas, or seeking improvements in the Walsh-Healey Act, as "Federal interference with the forces of free competition." More than any other region the South has reason to recognize the tremendous role that the Federal government can play in developing the resources of an area. RFC loans, Federally constructed or financed power projects, soil conservation programs, farm price supports, grants-in-aid, construction projects, military installations, tax amortization certificates, and other policies and programs of the Federal government have been largely responsible for the remarkable improvement in the southern economy during the past twenty years. The southeastern states received in 1949 7.3 per cent of their income, gross wages, and salaries from the Federal government, as compared with 3.7 per cent for New England and 4.8 per cent for the United States as a whole. Four southern states, for example, received certificates of necessity for rapid tax amortization of industrial facilities worth five times the amount awarded the six New England states, although the latter's proportionate share of manufacturing industry was twice as great. In fiscal 1952, total Internal Revenue collections in Georgia netted the Federal government only a little more than one third of the amount collected from Massachusetts; but expenditures of the Federal government for grants-in-aid, wages and salaries, and rivers and harbors and flood-control projects in Georgia actually exceeded such Federal expenditures in the state of Massachusetts. Admittedly this is due in part to a consistent lag in the efforts of New England businessmen and officials to participate in such programs; but the fact remains that the South has profited enormously and will in the future profit from Federal action in the economic sphere.

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Last, but most important, I have stressed many times in my speeches the theme of fair competition; and fair competition is just as essential to the South and its industries as it is to any other section of the United States. I am certain that the use of unfair practices to encourage the abandonment of existing plants, employees, and communities in New England, with its consequent long-term unemployment and distress, is not a necessary part of the South's industrialization program. Its aim should rather be one of new industrial development. "Our industrial concept," stated Mississippi's Governor White, "is not of robbing Peter to pay Paul."

Robbing Peter to pay Paul, in my opinion, does those Southern communities which practice it more harm than good. Dr. Harriet Herring of North Carolina, in her book *Southern Industry and Regional Development,* pointed out that artificial or substandard inducements to migration bring weak industries, a hit-or-miss industrial development, and no diversification of industry.

Substandard wages and tax subsidies are no foundation upon which to build stable industry. As pointed out by the San Antonio *News,* "The South should not want any industrialization founded on the reactionary concept of cheap labor. It is not cheap in the long run for any of the parties concerned." The South's greatest industrial growth has occurred at the same time as a steady narrowing in the North-South wage differential; and southern factories producing automobiles, aircraft, oil, and other products pay the same wages as their northern plants or competitors. Several southern economists and study groups have concluded that the Federal minimum-wage law, introduced by Hugo Black of Alabama, has not harmed industrial development in the South but has on the whole been beneficial and needs revitalization. Wages, they point out, are not only costs but also aids to productivity and purchasing power. Companies that come south to exploit southern labor, with the aid of inadequate minimum-wage and public contracts laws, and free from unionization under Taft-Hartley, are merely holding back southern progress.

Southerners themselves are becoming aware of the vice of luring industry southward through such inducements as tax-free plants built with Federally tax-exempt municipal bonds. Virginia repealed its tax exemption law in 1946, on the ground that it meant unstable industry and an unstable tax base. Although Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma, and Tennessee have statutes offering tax exemptions to new industries, Virginia, Texas, North Carolina, and Georgia do not. The Southeastern States Tax Officials Association has condemned the practice of tax-free municipal plants as "inequitable and unfair to industry in the State and detrimental to the taxpayers of the State because what is given away must be paid for by other businesses and individuals, ultimately, thereby creating an unhealthy social and economic condition."

Industries thus attracted are migrants, not new enterprises, with home offices outside the South. Once having accepted tax benefits and a few years of heavy profits, they may again move, leaving that community as well with empty buildings, stranded workers, and a heavy bond issue. As such use of public credit spreads, no community can be sure of the stability of the enterprises on which its citizens depend for their livelihood. In one southern town of only 10,000 people, municipal bonds for private industrial plants were proposed to the extent of $51 million, or an additional debt load of more than $5000 plus interest for every man, woman, and child in the town! What happens when their newfound benefactors leave for another bargain elsewhere?

The elimination of unfair competition of this character will benefit the South as it will benefit New England. The proposals I have made should not be regarded as posing an antagonistic issue between North and South. The issue that they do pose concerns the stability and integrity of our entire national economy. The competitive struggle for industry will and must go on, but it will be a fair struggle based on natural advantages and natural resources, not exploiting conditions and circumstances that tend to depress rather than elevate the economic welfare of the nation.

New England, without unthinking optimism, undue pessimism, or unfair recrimination, must meet the actual advantages of the South by developing its own human, material, and natural resources and, in that process, by utilizing the facilities of the Federal government wherever that is appropriate. It must also call upon the Congress to correct those abuses of Federal policies and competitive practices which have led to undesirable industrial dislocation.

The South, instead of fighting such a program, should welcome it for the stability that it promises and the safeguards that it assures to the South's new and proud industrialization. It is a common goal that lies ahead of us — the expansion and prosperity of every section of the nation, not the ephemeral aggrandizement of one at the expense of another through the exploitation of impermanent and ultimately self-destroying values. In checking such practices, the alliance of both South and North is needed if we would carry out our common pledge "to promote the general welfare, and secure the blessings of liberty to ourselves and our posterity."

The New York Times Magazine

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What's the Matter With New England?

The region's economic soft spots are appraised and a program of remedial action is proposed by a New England Senator.

By JOHN F. KENNEDY

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