

BUSINESS FACES A
PRESIDENTIAL YEAR

NATIONAL AGENDA FOR 1964

Exclusive Report and Analysis

Presented with the Committee for Economic Development

THE Committee for Economic Development, in cooperation with the editors of *Saturday Review*, presents herewith its annual survey. This is the sixth year that CED has joined with this magazine in preparing a special business issue. In the five previous years the issues have concentrated on a particular economic topic as it had been discussed at the annual meeting of CED trustees—the Pacific and the world economy, collective bargaining, the Soviet economy, the Common Market—and all of them have dealt with unfinished business, for the task of properly managing our economy is never done. We must keep at it continually, seeking new ways or new applications of old ways to improve the functioning of our democratic system of government and our ideal of private enterprise.

The national rededication that has followed the tragic events of last November gives special urgency to the issues considered in the following pages.

Work on the various articles was started well before the assassination of President Kennedy. But they were written with the future of our country in mind. And, dealing as they do with major economic problems, they represent something of a national agenda for 1964.

The impact of these problems on jobs and education, as on economic growth generally, reaches out to

affect vitally such other issues as civil rights. Thus we have a special need to make the choices that must be made in a national election year with a renewed awareness of the challenges that face a democratic society in a complex and dangerous period.

Although CED is a committee of business leaders (and some educators), it does not pretend to represent the "business community" as such. Instead, it tries to speak out responsibly on behalf of the welfare of the general public on the pressing economic problems of the day. In doing this it has the help of the best minds, in the various fields it enters, that great universities of America can supply. Thus its product—in the form of statements on national policy—is a melding of the practical and the academic mind. As a nonprofit educational institution, it does not lobby before Congress for passage or defeat of specific legislation. Rather, its purpose is to educate the public and the opinion makers, in and out of government, in whose hands lie the ultimate task of forming national policy.

History, I think, shows that CED has had some effect upon the economic thinking of the country in the twenty-one years of the committee's existence. It helped materially in creating the business climate that, at the end of World War II, forestalled a postwar depression (which many people had felt was inevitable). It led in proposing guidelines for a workable postwar tax program. It played a part in bringing about the Marshall Plan—and gave its first chairman, Paul Hoffman, to head the EEC. It helped bring about the Employment Act of 1946. It has worked for tax reform, for a better program for American agriculture, for better national education programs, for international economic programs, for freer trade and lower tariffs, for greater development of our urban areas—to mention only a few of the economic regions it has entered.

Last spring, on the occasion of CED's twentieth anniversary, the late President John F. Kennedy addressed 300 CED trustees and their guests. He said: "I was particularly anxious to come to this meeting . . . because I have been impressed through a good many years of public life, in the House, the Senate, and most recently in the Presidency, by the very firm commitment to the public interest which this organization has displayed.

"Because your concern for the public interest has been so consistent and obvious, it seems to me that perhaps more attention is paid to the deliberations of the CED than almost any other organization dealing with national problems. This is an enviable reputation, one which you continue to guard, and, therefore, it has, it seems to me, been rewarded by the response which this organization receives from the public and from public officials.

"Many organizations seem to feel that government can only help in the economy by reducing its influence and its participation. The CED has long recognized government's inescapable obligation and contribution, and that federal monetary and fiscal policies can and must supplement the decisions of the market place in determining the course of the economy; that interest rates must be adjusted up and down; budgets into deficits and surpluses to fit the needs of the time. . . .

"Your programs and publications have helped bring about a fundamental change in the economic understanding of the nation in general, and of its business community in particular, and I believe that all Americans owe you a vote of thanks for your leadership."

This tribute sums up, I think, what CED has tried its best to do in the past. I think, also, that this spirit will be quite apparent in the articles by CED trustees published herein. They touch on a number of topics that will echo in the halls of Congress and fill the columns of the press in the coming year: tax rate reforms, the relationship of business and government, international trade cooperation, the balance of payments, and the problem of adjusting to technological advance and increasing productivity.

All these are only a part of the unfinished and never-ending problems we must try to solve. Regardless of what party is in power, or what our own personal predilections are, we cannot escape them or the need for solutions.

Each of the authors is a business leader, a man of practical experience. Each has also long been subjected to the CED process of objective research in his particular field. Although the views each author expresses are his own, they are in close tune to CED's policies, as set forth in its published statements. They reflect that insistence upon academic and personal freedom that, I think, has been the touchstone of CED's work for the past two decades.

—THEODORE O. YNTEMA, *chairman of the Research and Policy Committee of the Committee for Economic Development and chairman of the Finance Committee of the Ford Motor Company.*



Unemployment and education may well be the most important topics on the economic agenda for 1964. As former Secretary of Health, Education and Welfare, and as an industrialist with long experience with the Eastman Kodak Company, Marion B. Folsom speaks here with a voice of authority on this vital subject, as he did recently before the Senate Subcommittee on Manpower and Employment.

WHERE UNEMPLOYMENT HITS HARDEST

By MARION B. FOLSOM

THE PERSISTENCE of average unemployment rates of around 5½ or 6 per cent for six years is certainly one of the main economic problems of our time. If unemployment were distributed evenly among the labor force, with everyone unemployed for twelve or fifteen days each year, there would still be a serious loss of output and income. But unemployment is not distributed evenly. It is heavily concentrated on a small but significant number of people.

During 1961 there were 82,000,000 people who worked or looked for work. Eighty-two per cent of these people had no unemployment at all during the year. But 6 per cent—5,000,000 people—had fifteen or more weeks of unemployment. From the standpoint of human welfare, it seems much more serious that 5,000,000 people should be unemployed for fifteen weeks than that 75,000,000 people should be unemployed for one week each.

The situation is in fact worse than this. The consequences are most severe for people who fall into two categories. On the one hand, there are the people whose incomes are quite low even when they are employed and who are likely to have only tiny financial resources to carry them through a period of unemployment. By and large, the unskilled, uneducated, and non-white earn the lowest incomes when they are employed and have the highest incidence of un-

employment. For example, in 1962 average unemployment was 5.6 per cent, but unemployment among unskilled laborers was 12.4 per cent. Unemployment among white males with one or more years of college was 2 per cent, but unemployment among white males with fewer than eight years of schooling was over 8 per cent. Unemployment among whites was 4.9 per cent, but among non-whites was 11 per cent.

The other category in which unemployment is especially heavy and serious is young people. In 1962, when unemployment among all males was 5.3 per cent, unemployment among males eighteen and nineteen years old was 13.8 per cent and in the twenty-to-twenty-four bracket was 8.9 per cent. Most of these young people do not have family responsibilities, and unemployment among them might therefore be considered less serious. But it should be remembered that these young people are unemployed in their formative years, and the experience, work habits, and social attitudes they gain or miss during these years are very important.

Unemployment is also concentrated in certain communities. Neighborhoods with large populations of Negroes or unskilled white workers are likely to have high unemployment rates. Harlem in New York or the old Allegheny section of Pittsburgh, both with unemployment rates in excess of 20 per cent for males, are examples of this. There are other communities in which high unemployment rates result from the depressed

condition of the dominant industries. This is true of the coal towns of Pennsylvania and West Virginia, where unemployment has exceeded 10 per cent for many years.

In communities where unemployment rates are in excess of 10 per cent the evil economic and psychological effects are felt even by those who are employed. Such communities cannot provide the environment of good schools, good houses, confidence, and ambition in which children should be raised.

I think that two conclusions can be drawn from these observations. One is that measures designed to reduce the average rate of unemployment will help to reduce unemployment in those categories where the rates are highest.

The other is that such measures will still leave excessively high rates in some categories unless we either reduce the average so far as to cause bottlenecks and inflation or take special steps to reduce the concentration of unemployment in certain groups.

Thus there are two things we have to do. First, we need to take general measures to reduce general unemployment. This is the most important and urgent requirement. I have in mind chiefly a prompt and substantial tax reduction. Second, we should proceed with special steps to correct the tendency of the unskilled, young, and Negroes to experience unemployment rates much higher than the national average, whatever the national average may be.

We must deal with two basic prob-