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AMERICA'S CHALLENGE: EXPANDING ECONOMY FOR FULL EMPLOYMENT

America's real "surplus problem" is its unused productive capacity of manpower and industrial resources, Senator Hubert H. Humphrey declared today during a debate before the University of Minnesota's Citizenship Clearing House on the question:

"What's at Stake in '54?"

"Whether or not America's economy will be kept expanding to keep pace with our growing labor force and growing ability to produce is the real issue at stake in the elections of 1954", Senator Humphrey declared.

"On the one hand we have those who are satisfied with the economy being 'almost as good' as last year, and talk about 'necessary downward adjustments' -- even with 5,000,000 people already idle.

"On the other hand we have those of us who have faith in America's ability to provide full employment and a higher living standard for all, by taking full advantage of our ability to produce", Senator Humphrey explained.

"Instead of worrying about the so-called surplus in agriculture, it's time the American people and the Administration begin worrying about the 5,000,000 surplus people needing jobs.

"Agriculture's surplus is only a drop in the bucket compared to the unused surplus capacity in our steel mills and our auto factories.

"Instead of worrying about possible losses in storage of surplus wheat, it's time we faced up to the losses during the past year from unused industrial capacity and unemployed manpower resources -- losses to our economy that can never be regained.

"In the entire twenty years since we started our farm programs, the total loss on price support programs has been just over one billion dollars.

"Yet last year alone, the loss to our economy from failure to keep pace with our growth in population and increase in man-hour productive capacity is conservatively estimated to be \$30 billion dollars.

"Which one should we be worrying about"? Senator Humphrey asked.

America needs a continually expanding level of production and consumption even to "hold its own" against faster rise of unemployment, Senator Humphrey warned.

"We can't stand still -- we must move forward, or we slip backward.

"If America's economy just continues at its present pace -- a pace with which this Administration seems satisfied -- our rising labor force could mean a total of 7,000,000 unemployed by early next year", he said.

M O R E

Senator Humphrey called for a "full employment" program of stimulating America's economy through fiscal and tax policies increasing the purchasing power of consumers and "creating the environment for higher living standards".

Instead of setting their sights at the full employment goals needed to keep pace with America's growth, Senator Humphrey said, the Administration "keeps talking about leveling off, about necessary downward adjustments".

"Who's going to level off the population -- the people who need jobs to earn a decent living?"

"What's going to happen to American business and industry, if we convince people they must make downward adjustments in their living standards and purchases?" he asked.

Turning a favorite GOP phrase against the Administration, Senator Humphrey added:

"Just who are the 'prophets of doom and gloom' today -- those of us having faith in America's ability to maintain an expanding economy and full employment, or those who give up in despair and say we must just learn to level off and lower our sights, and learn to live with unemployment and lower income?"

*Sp. File = Oct 8
4 of mm.*

Text For

Senator Humphrey

Citizenship Clearing House Debate

October 8, 1954

WHAT'S AT STAKE IN 1954?

DOMESTIC POLICY

I. A view of the economy that emphasizes growth and expansion.

The population of the United States is growing now by about 2 million per year. We are making vast strides in productivity, new machinery is being introduced which cuts down the time and labor needed for production.

To provide a full employment economy under these conditions, our economy must grow by at least 4% per year. Instead, this year the economy has slid backward. *unemployment* *private investment*
farm income *Production*
Car load-g.

Last year we produced \$364 billion worth of goods and services.

This year we are producing at a much lower rate, - \$356 billion.

At the present rate, output is running \$21 billion under what we should produce this year. *This is Waste - lost*

This is productive capacity wasted, man-hours gone to waste, with unemployment at 5% of the labor force. And all sources are agreed that there is no sharp upturn in sight.

Between July and August this year unemployment declined 101,000. Allowing for seasonal factors, this decrease should have been three times as great. The danger is that the economy will stabilize at its present rate, and will fail to grow. If so, this would mean unemployment of about 7 million by mid-1955.

The \$21 billion deficit in national production can be broken down as follows:

\$9.2 billion in personal consumption expenditures.

\$10.2 billion in private investment.

\$1.8 billion in government purchases.

These figures are projections - or continuations - of the structure of our economy in 1953.

If we maintain a full employment economy, this is what we can attain by 1960:

Our national production could grow from \$364 billion to \$500 billion.

Personal consumption expenditures could grow from \$228 billion to \$330 billion.

Private investment could grow from \$55 billion to \$75 billion.

Farm income could go from \$32 billion to \$42 billion.

Annual payrolls could grow from \$205 billion to \$300 billion.

The average standard of living of Americans could be raised by 35%. We could bring all American families up to a \$4000 standard of living, and still this would absorb less than half of the increase involved in a \$500 billion economy.

Such an economy is absolutely essential to our national security. It could show to the world the superiority of a free economy.

The administration, however, has not been sufficiently concerned with expansion of the economy. Instead, they have sought to minimize the fact that our economic output has diminished -- not grown -- during the past year.

The administration has been content to rail at 'prophets of doom and gloom'. In fact, the real prophets of doom and gloom are those who refuse to admit the possibilities and the necessities for economic growth and expansion. The real point is not who is a good prophet, but who proposes to do something constructive.

II. The administration has failed forcefully to attack the allied problem of assuring an expanding standard of living for all Americans.

This is what should have been done:

1) Tax relief for consumers and lower-income groups. The George Amendment would have raised individual income tax exemptions by \$100. This would have meant \$1½ billion of purchasing power for the economy.

Instead, the administration pressed for tax relief for stock-holders. This tax relief simply goes into savings - it does not promote economic revival. Six-tenths of one percent of Americans own 80% of stock. These are the stock-holders with holdings of over \$25,000.

Individuals with incomes under \$5,000 got just 9% of the tax relief from this year's tax bill. The other 91% went to corporations and those individuals with incomes over \$5,000.

The administration claims that the purpose of the tax bill was to stimulate private investment. Yet only about 7% of corporate investment today comes from the sale of stock.

2) An expanded program of unemployment compensation to keep pace with wages and prices. When the Social Security Act was originally enacted, the intent was to provide unemployment benefits equal to at least 50% of full-time weekly wages, up to a maximum of two-thirds of full-time weekly wages. In the years since the passage of the Act, benefits have fallen far behind wages and prices.

During the 83rd Congress, Democrats pressed for a liberalized unemployment compensation system. At a time when 5% of the labor force is unemployed, such a program would provide a stimulus for

economic revival because it would mean more purchasing power.

And it would help relieve the hardship that 5% of our working people suffer through unemployment.

3) A realistic housing program. Our Nation needs to build 2,000,000 new housing units annually if our population is to be adequately housed.

The 1954 Housing Act practically kills public housing. Senator Taft always felt that 10% of our new housing should be public housing. This was the intent of the Housing Act of 1949. The 1954 Housing Act provides a public housing program equal to less than 3% of our current housing construction. It provides this for only one year, and it is doubtful if even these public housing units will be built, since they have to be linked to slum clearance projects and it will take more than one year to obtain administrative clearance for those projects.

L The 1954 Housing Act fails to provide for the low-income groups.

For the middle-income groups the administration has proposed a \$7,600 house at 5% interest rates. In the first place, a decent house can't be built for \$7,600 today. And in the second place, under the financing proposed by the administration, the \$7,600 house will actually cost \$10,675.

We need a return to an adequate public housing program for low-income groups, and a program which will really bring private housing within the range of the middle-income groups.

The first step toward a decent standard of living is a decent home. And one of the best ways to stimulate our economy is to keep the construction industry going strong.

4) We need a program of school and hospital construction.

This kind of program will stimulate the economy and provide jobs. This kind of a program will raise our educational and medical standards and help meet desperate needs.

Some of us in the Senate have long been advocating a program of Federal aid for school construction. I authored the School Construction Act of 1950, providing Federal aid for school construction in areas affected by Federal installations. I also authored an Act calling for a survey of school construction needs. On the basis of that survey we know that this year our Nation faces a deficit of 370,000 classrooms. In 1953 I introduced legislation to provide a general program of Federal aid to School Construction. So did Senator Cooper, Republican, of Kentucky. The administration recommended against both bills.

The Department of Health Education and Welfare reports that we still need over 800,000 hospital beds. The original Hill-Burton Act, passed by a Democratic Congress, provided \$150 million annually for this program. In 1953 the administration requested \$60 million for the program;

in 1954, \$75 million. Less than half of what might have been done has in fact been done.

5) We need a program to maintain farm income. Net farm income has dropped by about 25% since 1952. This has important effects on the rest of the economy, and disastrous effects on farmers.

In 1952 the farm parity ratio averaged 100. Today it is at 88. In Minnesota the parity ratio generally runs 10 points below the national level *or 78*

For the first half of this year, the Nation's farm income was averaging \$57 million a month below the first half of 1953.

This made a total first-half deficit of \$341 million. *or 682 million per year*

III. The Minnesota type of economy has been hurt by administration policies.

Minnesota's economy is founded on agriculture, labor and small business. I am very conscious of this -- I have served on Senate committees dealing with all three.

This year the administration put through a program to
and against the Resolutions of Joint Com.
reduce farm income. At the same time the NLRB has rendered
a series of decisions reducing the bargaining power of labor.

And business failures this year have been the highest since
the War, while a wave of mergers has put the big businesses
in an even more favorable position. Earnings of large
corporations are holding up better than earnings of small
corporations, while output has been cut back.

The result of all this is that farmers, labor and small
business are being undercut, while the giants of the economy
are flourishing and growing larger.

During the last Congress we witnessed an attempt to
divide farm ers from city people over the issue of farm
price supports and labor legislation. What the Nation
really requires is a type of politics aimed at reconciling

and integrating agriculture, independent enterprise and labor. This has been the historic aim of the Democratic Party since the time of Wilson and before. The New Freedom, the New Deal and the Fair Deal have all been based on this aim. And all our important legislation on behalf of this aim has been written under Democratic administrations.

*Condemn new Deal -
are you against P&H etc
"Bloody new Deal"*

Examples:

The Farm program: The modern farm program aimed at putting a floor under farm prices and maintaining the family sized farm began with the AAA and subsequent New Deal legislation. The Farm Security Administration and the Jones-Bankhead Act were aimed at helping the small, marginal farmer.

Labor legislation: The Wagner Act and the Norris-LaGuardia Act gave the modern labor movement its first real start toward an equal bargaining position.

Business legislation: The Clayton Act and the Federal Trade Commission Act, the Robinson-Patman Act, the outlawing of basing point pricing, the 1950 amendments to the Clayton Act, the Fair Trade statutes -- all these measures to safeguard the economy against monopolistic concentration and to equalize and guarantee competition were enacted under Democratic administrations.

(4)

Give Away

FOREIGN POLICY

IV. We need a stable foreign policy aimed, not at 'seizing the initiative', but at creating stable conditions of freedom in the free world. This is the best way to preserve the peace, for communism is unlikely to start a major war against a strong and united free world; it is unlikely to make small gains when the peoples of the free world are strong enough to defend themselves.

Most important is a series of programs to create the conditions of freedom. Press releases will not meet this need, nor will speeches. The most important area right now is the economic -- we need to deliver some solid programs.

1) We need a modernized foreign trade program. The administration has badly lost the battle to communism here. We were promised a forward-looking trade program -- but the 83rd Congress simply extended the existing program on a year-by-year basis. Congress did authorize a \$700 million farm surplus disposal program (and I was one of the first to introduce such legislation). But the administration has ever since been involved in an administrative wrangle between FOA and USDA as to who will administer the program. We're still waiting for the announcement that there is a program to administer.

During this year the Soviet Union has signed trade agreements for over \$100,000,000 worth of trade for this year alone with the underdeveloped areas of Latin America and Asia. These are areas vital to democracy. We have been beaten to the punch -- the Soviets have stepped in to stabilize raw materials prices, while we have been stockpiling here at home and disrupting world raw materials markets.

2) We need an expanded Point Four.

The administration has tried -- unsuccessfully -- to change the name of this world-famous program.

The administration has talked of turning Point Four over to private organizations, though they have not yet hit on a formula for stimulating private investment in the under-developed areas.

The administration has administratively linked Point Four to military aid, thus stripping Point Four of its nature as a good will program.

The administration has disrupted the Point Four staff, which took years to assemble, by mass firings. Morale has dropped badly.

3) We need to place more emphasis on regional economic development linked to free world defense. It has steadily been reported that Secretary Dulles has been very lukewarm to the economic provisions of the SEATO pact. Those provisions are very vague, as they stand. They must be earnestly implemented if we are to build strength, understanding of democracy and free economies on the borders of the free world. It is in those areas that the economic temptations to try communism are strongest. Note that neither Japan nor India

is a member of SEATO -- these two economies are in critical condition. Japan needs trade; India needs capital investment.

4) We need a more steady, more powerful program of ideas to increase understanding of free world aims.

The Voice of America was abused and ridiculed. Today the VOA is uncertain, understaffed.

When C. D. Jackson resigned as director of our whole program of ideological competition with communism (April 1954) no successor was appointed, and there has been no central direction.

We need to expand our programs of teacher and student exchange.

V. We need a stable and consistent defense policy. This policy must be one that both we and our allies can depend upon.

It must be integrated with our diplomatic policies.

1) There is no point in talking about the liberation of areas from communism at the same time that we are cutting our forces and withdrawing forces from those areas.

2) It is contradictory for us to talk in terms of a policy of 'massive retaliation' and still expect our allies to follow us wherever we lead. Those allies are far too vulnerable to atomic warfare for that.

3) We should realize that too much reliance upon nuclear warfare may lead to nuclear warfare. For this reliance divides us from our allies, and places our diplomacy in an atomic straight-jacket. Our military policy must leave room for diplomacy to function.

4) We should have a more consistent defense policy. In 1953 the administration cut the Air Force back from a 143 wing goal to a 122 wing goal. Then, this year, they went back up to a 137 wing goal.

This year the budget for the ground forces was cut to 19 divisions. Now it has been decided to have 23 divisions, though it is admitted that not all those divisions will be at full strength.

5) Our own people need to be frankly informed of where we stand on defense. The Russians now have a long-range jet bomber the equal of anything we have. We have no day fighter in production any better than the MIG 15. Yet the Secretary of Defense has said the Soviet Union is not gaining on us in weapons development.

6) We need to plan more for the future in our defense policy. This means an emphasis on research and development. Yet this year's budget cut Air Force research \$30,000,000; Naval research \$5 million; Army research \$5 million.

7) We need a realistic program of civil defense which recognizes that the Federal government, under the constitution and by the nature of our economy and society, must be chiefly responsible. At present this is not the case, and our vulnerability to attack is an important element in the international balance of power.

VI. There are also areas of agreement in this campaign.

One of these is on controlling communism. Actually, past Democratic administrations began all important measures against Communism at home.

The loyalty program.

The Hatch Act.

Foreign Agents Registration Act.

Smith Act.

The Atomic Energy Espionage Act.

The Internal Security Act.

The Humphrey amendment outlawing the Communist Party was Democratic-sponsored.

Under the Smith Act 83 Communist leaders were prosecuted by Democratic administrations -- this included the top leadership of the party. There were also a number of other prosecutions for espionage and aiding Communist intelligence.

Both parties know the American people want communism stringently controlled. No party can lay claim to better intentions or better ability in this area.

I should like to conclude by saying that both parties fully accept and believe in the system of government that both parties have developed in our Nation. Neither party wants to change the basic democratic rules of the game; both parties agree as to the major threat to the rules of the game.

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out

During the 83rd Congress the Democratic Party proved itself a responsible opposition. It never opposed measures simply for opposition's sake; when it opposed legislation it did so because that legislation was opposed to historic Democratic policies which we felt should be preserved. In those cases we opposed the legislation - though we did not obstruct it -- and we sought to define the issues and make them clear to the public. That is the job of an opposition, and in the campaign we are continuing to carry out that job.

Tonight I have pointed to some of the alternative policies which the Democratic Party favors. A democratic Congress would press for these alternatives.



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