

*My Son
Constructors
Contractors*

Outline of Remarks
by

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Senator Hubert H. Humphrey
before the

Constructors Association of Western Pennsylvania
Penn-Sheraton Hotel, Pittsburgh, Pa.
February 6, 1959

✓ One of the most amazing economic feats since World War II
has been the phenomenal growth of the construction industry in
America. In my travels throughout the country I never cease to
be amazed and impressed by the building that is taking place.

h In the past dozen years the face of our great country has
literally changed -- as we have undertaken to meet the pressing
needs of our ^{expanding} population.

However, it was not until I sat down and looked over ~~the~~
statistics on the construction industry, in preparation for
my speech tonight, that I fully realized just how great the
strides have been in the construction industry.

L In the year 1946, the value of total new construction, both
private and public, amounted to \$12.7 billion. In 1955, the
value of new construction amounted to over \$44 billion! This

is an increase in a ten-year period of 350 percent.

This fabulous and magnificent construction program is a
 tribute to the dexterity and ingenuity of the men in this fine
 and important industry. As one who has trouble even repairing
a broken chair or a screen door, it is a matter of great
 mystery and wonder to me how anything so complicated as a
modern building, a highway, or a dam can ever be built.

*Barometer
of
Business*

One of the best business barometers I know of, is the level
 of construction taking place. When construction is on the rise,
 it is a sign that our economy is in good shape and that we are
 moving ahead. When construction, however, starts to fall off
 or just holds its own, it is a pretty safe conclusion that our
 economic machinery is not operating quite properly.

I have vivid memories of the Great Depression and of the
houses, apartments and factories which stood empty and half
 finished as a grim reminder that our economy simply ran out of gas.

The construction industry, perhaps more so than any industry in the country, is directly affected by the economic trends. *and conversely, affects economic trends.* The state of the nation's economic health is of more than academic interest to all of you here tonight. Fiscal and monetary policies, as determined in Washington, have real meaning in your field of work.

As I have noted, from 1946 to 1955, the value of annual new construction increased 350 percent. During this same ten year period the country was experiencing a steady, healthy, economic growth. Production, investments, income, spending and employment all were increasing. Unemployment was at a low level, and we were making full use of our industrial capacity.

Since 1955, however, it has been another story. Our economic growth began to slow down, then only hold its own, and in 1957 we began losing ground.

Industrial production level^ed out in 1956 and started falling in 1957. Last year production continued to drop to the lowest

level since 1954. We are now told, however, that everything is fine once again and we are back on the road to prosperity. Yet, as a matter of fact, industrial production is only now approaching levels we had reached a full three years ago when we had a smaller population, fewer workers, and less efficient plants and equipment.

✓ | ✓ | Another sign of our ^ueconomic ^ustagnation is revealed by the gross national product which shows total expenditures -- public and private. Taking into account the lower value of today's dollar - due to inflation - expenditures were no higher in 1958 than they were in 1955.

✓ | The figures also show that the per capita disposable personal income measured in constant dollars has been falling since 1956.

✓ | And as many of you know only too well, profits in recent years have also been going down. Corporate profits after taxes

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fell from \$23 billion in 1956 to \$22 billion in 1957 and down

to less than \$18 billion this past year. — *and with the dollar worth less!*

This halt in economic growth has, of course, been reflected in the construction industry. Measured in terms of constant dollars, money spent for private and public construction has only been holding its own over the past four years. Private investment in new construction has in fact been declining since 1955.

OK We are being lulled into believing that there is nothing really to worry about. After all, isn't business picking up? Haven't we licked the recession of 1957-58?

Yes, but!

Yes, business has been picking up in the last several months. We are recouping the heavy losses we suffered in the recession. But this, I maintain, is not enough. We cannot be content with business activity approaching a level we had reached in 1956. The plain fact of the matter is that we cannot afford to merely stand still. In view of our expanding

industrial capacity, a constantly rising work force, and an increasing population, in order to maintain a healthy economy it is necessary that there be steady and solid economic growth and development.

↳ A person does not need to have a ^{college} degree in economics to realize that something is wrong when more than four million are unemployed and the prospect of more than five million jobless before spring. Something is wrong when our basic industries are only producing at three-fourths of capacity. Little wonder that plant and equipment outlays are lagging \$8 billion below their 1957 peak.

↳ To me this high level of unemployment and the widening gap between our industrial capacity and actual output is a tragic waste of men and equipment. It cannot be condoned when we have so many unfilled needs here at home, when we should be giving greater assistance to underdeveloped nations so as to

raise their standards of living, and when our defenses need strengthening so badly.

h If we are to remain as the leader of the free world nations of the world, it is imperative that we have a strong, growing, and dynamic economy. We cannot afford idle men and machines at so crucial a time in world history.

We cannot have a Model T economic program in the jet age. If we do, the world will soon rush by leaving us by the wayside as a second-rate nation. (Pause)

As some of you may know, I have recently returned from a part of the world where the people are pulling out all the production stops, pushing ever harder against their present productive capacity and making great sacrifices to increase that capacity. I have returned from a part of the world where optimism rivals that of America's most inveterate optimists.

Russia

h Soviet economic competition is the big challenge of the day.

h Premier ^{of Russia} Khrushchev has said that he has declared war on us in production. His aim: to "catch up and surpass America."

The Soviet countryside is strewn with signs bearing these words.

h Khrushchev is looking ahead 10 to 20 years and using the vast powers of Russia's state machinery to plan and program the great resources of his empire. He has called his first Seven Year Plan, "Russia's Offensive Opens", and under this plan he has programmed vast increases in the capacity of Russia's heavy industries -- and plans to build up Siberia!

h By 1965, he aims at adding nearly 30 million tons of steel capacity; more than 100 million tons of oil production; nearly 300 billion kilowatt hours of electricity.

h And while the emphasis is clearly on capital goods to add to Soviet military and economic power, there are also important planned increases in consumer goods. Meat production is to

more than double by 1965; butter production already almost equal to ours, is to increase by almost 400,000 tons. There are to be more shoes and clothes and the gadgets of life for the Russian people, who, you must remember, know nothing of the rich material life we live here.

h We know now that we cannot underestimate these plans and programs.

h It is not just that they have the world's first artificial planet in our solar system labelled "made in Russia"; that's one kind of testimony.

h But we also have the testimony of our eyes. We can go to Russia and see the progress that is being made.

h If the statistics still show a wide gap between our wealth and their's, between our production and their's, we must remember their production figures are rising much faster than ours -- five times as fast in the last few years, and the gap is narrowing.

They have the momentum, while we are resting on our laurels. and,

This need not be. We have everything in our economy needed for victory -- all except, for the moment, a sense of direction, goals, and leadership.

Do not underestimate the Soviet's efficiency or capacity!

And don't underestimate, either, the effect all this is bound to have outside the borders of Russia. *(Asian Africans Arabs)*

Khrushchev's Seven Year Plan is not just an economic document; it is a political and psychological document, too.

The Russians are using it as a major weapon of foreign policy, and they are getting an interested audience in all those teeming underdeveloped countries of Asia, the Middle East, Africa and even Latin America where people are searching desperately for an escape from a life of abject poverty.

Before these people, the Russians flaunt their Seven Year Plan, and they get an interested audience.

7yr Plan

The Soviets at home don't talk about yesterday, except to compare today. They then talk about today only to get a chance to really work on tomorrow.

L The leaders are constantly saying to their younger generations that tomorrow things will be better. To the Soviets the promise of the better life is the fulfillment of the Seven Year Plan. Soviet production has as its incentive both the carrot and the stick -- reward and discipline.

Khrush +
apparent
confidence

L Now, what of our own goals and inspirations? What of our own optimism? One of the things that disturbs me is the spirit of complacency which appears to have pervaded our thinking in recent years. Our country grew great and strong because our people had hope and confidence in a better tomorrow and a willingness to work and strive to achieve their dreams. ~~They~~ we were not afraid to move boldly forward.

~~But~~ ^{to} today, we seem ^{to} have lost much of our enthusiasm,
 drive, imagination and initiative. All of a sudden we seem
 old and tired.

~~This attitude seems to prevail with the Administration
 today in Washington. It comes forward not with new and
 challenging proposals; it merely reacts to events as they
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Last month the President presented his budget message,
 and in it he proposed slashes of almost \$4 billion in sorely
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The President's budget is not geared to a healthy,
 expanding economy which can produce the goods and services
 we need if we are to maintain both a prosperous America and
 also maintain adequate defenses.

The President's budget is designed to limit economic
 growth on the theory that this is the only way to hold down
prices and stop inflation. However, the facts are that in the

past three years while our economy has stood still we have had the sharpest rise in the cost of living in the peacetime history of the country!

h No, my friends, the answer does not lie in a stagnant economy, but rather in an expanding and growing economy whereby our manpower and machinery is effectively utilized.

h Here is but one example of the slashes in the budget which the President proposes. It deals with public work projects, a subject which affects many of you directly.

h The President proposes that we "take a breathing spell in the initiation of new projects. Accordingly, no additional funds are proposed in 1960 for starting new water resources projects, general office buildings, and veterans hospitals.

h Furthermore, reduced new spending authority is recommended for grants for local public and private hospitals, health research facilities, and for water treatment works...

~~"The new water resources projects authorized for starting in 1959 will be so spread out as to schedule initiation late in the year, wherever practicable, and, in a few cases, construction may be deferred until the fiscal year 1960."~~

You in the construction industry know from first-hand experience how important these various construction programs are and how great is the unfilled need.

I ask - where could we make a better investment than in building new schools so that our children may be taught in clean, safe, and pleasant surroundings?

What better investment can there be than in the construction of hospitals to properly house our sick?

What better use of our public monies than to develop our God-given water resources so as to prevent floods, provide power to new industries, and to irrigate drought-stricken areas?

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And we might also ask. While we are taking a breathing spell, what will the Soviet Union be doing? The answer is plain: the Soviets will be working at full capacity on more schools, power projects, hospitals, medical research centers and the like.

To take a breathing spell on such important investments as the education of our children and on medical care and research simply does not make sense.

↳ The argument for such slashes is that we must maintain a balanced budget.

↳ Now we are all for a balanced budget. There is no earthly reason why a country as rich as ours should have to operate at a deficit in these times. I am for a balanced budget. I think it is shocking that we have a deficit this year close to \$13 billion.

There are three ways to balance the budget.

One way is to simply slash public spending to the level of expected income, regardless of the importance of the programs.

A second way is to raise taxes.

And the third way - which I favor - is to meet the costs of necessary public spending through fiscal and monetary policies designed to stimulate economic growth and larger incomes which in turn means larger tax revenues.

This third alternative seems to me the only one which makes real sense.

Speaking of the budget, one of the things that disturbs me the most about our budget is the hodge-podge fashion in which it is put together. I don't know how many of you have ever taken a look at the budget report which comes out each January. It is a most formidable document. This year's budget report is over 1000 pages long. It is a chore just to wade

through it, but worse yet is the verbiage and the accounting
gymnastics designed so as to confuse anyone who isn't a
CPA.

↳ I have said that if American Telephone and Telegraph
Company maintain^{ed} a budget like that of the federal government,
we would still be communicating in this country by smoke
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↳ Now you as businessmen are familiar with a capital budget.
At the end of each year you not only prepare a profit and loss
statement, but you also prepare a balance sheet which lists
on one side your assets and on the other side your liabilities.

This, you say, is simply sound business practice. And I
agree with you. Not so, however, with the federal government.
It has no balance sheet. If you take a look at ^{the} government's budget
~~expenditures~~ all you will find listed is the total public
debt -- or liabilities. But nowhere will you find listed the
government's assets.

As a result, no distinction is made between current expenditures and investments.

The point to keep in mind is that we should distinguish between the government's current expenditures and its

investments upon which the principal will be reimbursed with

interest. We should have listed as assets the loans made by

the Small Business Administration, the mortgages purchased

by Fannie Mae, and rural electrification loans of the R.E.A.,

*The Farm
Hosp
Ad.*

I have proposed for several years that we lift the fog as to government spending by adopting a capital budget, just

as any sound private business does. When we read in the paper

that one of our giant corporations is raising a million or

a hundred million through issuance of its securities, we say:

"Isn't that wonderful. There is a company that is really

moving ahead."

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But when the federal government sells securities to raise funds a horrible cry goes up. Why? Because we have been lulled and propagandized into believing that government expenditures, unlike private expenditures, and regardless of their use, offer no permanent achievements or dividends.

It is time that we adopt a capital budget so that we can distinguish between current expenses which are not reimbursable, and investment expenditures which are wealth creating and reimbursable. (Sweden Does this)

This week we have had before us in the Senate a housing bill. A great cry has gone up by opponents of this measure that it will increase government spending and we won't have a balanced budget in fiscal 1960. No mention is made of the fact that the major portion of the funds authorized in the housing bill are to be used for investment purposes -- in the purchase of home mortgages and in direct housing loans to veterans. We will not only get our money back on these loans, but we will get them back with interest just as any

private financial institution does.

I might say that one of the chief reasons that the federal government has not adopted a capital budget is because those who oppose government spending -- regardless of its purpose -- realize full well the present bookkeeping system aids them in confusing the people.

To summarize my theme, if we want to have a strong and thriving America which is capable of meeting the new challenges of the age, we cannot take a breathing spell.

To maintain a healthy economy we need a constant growth rate. The Rockefeller Report has recommended a growth rate of 5 percent a year to meet the needs of the people, maintain full employment, full production, and keep our defenses strong. I fully agree with this Rockefeller report.

A stagnant economy, such as we have had in recent years, simply will not suffice. We must move forward with a program

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L We need to direct more of our resources into education
so as to have better paid teachers and adequate schools and
equipment.

We have a serious shortage of hospital beds, and we have
but scratched the surface in terms of medical research.

L We need to build more adequate airports to be prepared
for the jet age. (Airport Bill today)

We all
In conclusion, may I say that ~~you all~~ have a great
personal stake in an expanded economic program. Not merely
as people in the construction industry, but much more important
as citizens of a free and wonderful country which is faced
now as never before with the big question: Will America
meet the challenges of the mid-twentieth century and rise
to new heights, or will America remain complacent and weary
and sink gradually but surely into oblivion?

I have faith that the American people if given the true
facts will move forward with determination, courage and purpose.

2/5/59

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Speech file

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natural resources. To do less is to invite disaster.

We need economic growth so as to build our defenses.

It is quite apparent that we are being by-passed by the
Soviet Union in armaments.

We need to increase grants and loans programs to the
underdeveloped countries of the world. The growing gap
between the rich nations and the poverty-stricken nations
if not checked will lead inevitably to an explosion.

We need to put greater emphasis on construction programs
so as to fully utilize our great water resources.

More and better housing is needed; special housing
is needed for the aged and the poor. There is no justifiable
reason why there should be slums in a country with our
immense wealth.

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We need to direct more of our resources into education so as to have better paid teachers and adequate schools and equipment.

We have a serious shortage of hospital beds, and we have but scratched the surface in terms of medical research.

We need to build more adequate airports to be prepared for the jet age.

In conclusion, may I say that you all have a great personal stake in an expanded economic program. Not merely as people in the construction industry, but much more important as citizens of a free and wonderful country which is faced now as never before with the big question: Will America meet the challenges of the mid-twentieth century and rise to new heights, or will America remain complacent and weary and sink gradually but surely into oblivion?

I have faith that the American people if given the true facts will move forward with determination, courage and purpose.

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