

Dorothy McRadlo (member - Cambridge) ✓
Constituents

Cost of Unemployment
Deficit - waste 1
Plant, People, Educ, Assets

"Getting The Economy On The Move Again"

Three Discussion Sessions on Achieving More Adequate Economic Growth

Woman's National Democratic Club

March 19, April 2 and April 9

ADM 14 Policy 1963

Lost more manhours of work in one yr of unemployment - than 35 years strikes

Joe Fowler = Administration Point of View

I. A profile of the U.S. economy in recent years -- basic facts necessary for an understanding of the "growth problem."

1. Wall St Journal How fast should the U.S. grow? - factors determining growth
How do we measure desirable and possible growth potentials?
Technological advance (automation) and the growth potential
Increases in the labor force and the growth potential

April 9, 1963
Washington

2. How fast have we actually been growing during the past ten years?

3. What price have we paid for the difference between our actual and needed rates of growth?

The loss of production - the magnitude of idle plant capacity
Idle manpower - how much unemployment do we have?
The location of unemployment -- depressed areas etc.
Who are the unemployed -- problems of women, minority groups, the young, etc.
Loss of income by various economic groups
Are we an affluent society? How much poverty remains? The relation of poverty to low rates of economic growth
Loss of revenue by Federal, state and local governments in relation to unmet social needs (education, housing, social welfare, etc.)

4. What an adequate rate of growth could mean for the United States

The causes of our economic slow down

1. Has purchasing power failed to keep pace with our capacity to produce?

Has there been a worsening of U.S. income distribution? - yes
How have income trends affected growth? - yes
Have the lowest income groups failed to make progress in recent years? - yes
How does inadequate income relate to economic growth? -
Has relatively too much income flowed to those who save and invest? - yes

2. Has there been inadequate incentive to invest?

Would higher returns to business have stimulated growth? - yes
Has the tax burden been a deterrent to business growth? - yes

3. Have automation and rapid technological change been the primary factors leading to unemployment, dislocation and slow growth?

4. Factors in the difference in the growth rates of U.S. and Western Europe

Educ - Training - The Educ - update - make relevant to industry

Investment
Tax credit
Depreciation
Top program
cut now!
Reforms general

Public works
Housing - Rds
Agriculture - Exports

For Aid

Credit + Interest

Science Research

R+D

\$16 billion
Gen Dist

III. Policies for speeding economic growth

1. Tax policy

How large a **cut** in taxes should there be?
Should cuts be made in several stages or at once?
Who should have their taxes reduced and why?

2. The issue of increased government spending

If taxes are cut, do we also need larger government outlays?
Are our outlays for domestic economic needs too large or too small?
Can we afford more public services and would they help stimulate
the economy, or must we try to balance the budget?
Managing the Federal deficit

3. What other measures are needed to speed growth?

Should wages rise faster, if more purchasing power is needed? Would
this be inflationary?
Would shortening the work week be helpful?
The role of public works, retraining, youth opportunity and other
related programs
Are additional investment incentives needed?

4. Would more rapid U.S. growth worsen our balance of payments problem?

5. Targets for America's future

What could we do by 1970 with an adequate average rate of growth?
Desirable goals
The relation of U.S. growth to the needs of an expanding world economy
The relation of political realities and economic needs

Towler - R+SID + Bonusid (Leon)
most child's profits gain left!

TAX CUT - SIZE AND URGENCY

1. Under recent legislative and administrative action 2-1/2 billion in tax revenues relinquished in year ahead to stimulate private investment; no significant tax action toward expansion of consumption. YET, despite tax burden, investments and profits have risen too rapidly, relative to other sectors of economy, whenever economy has moved forward. Slowdowns came as a result of inadequacies in demand.

2. If inadequate tax reduction adopted, it will be wasted and tend to discredit the concept of deliberate deficit financing to stimulate economy.

3. To reverse endemic unemployment, underproduction and recurring recessions, we must restructure pattern of demand.

4. Reduction of taxes on low income families who cannot maintain decent standard of living is in effect a tax "reform."

5. Need for Action Now:

a. During 1953-1962, average annual growth rate in real terms only 2.7%.

b. Consistent pattern of recessions, inadequate booms and periods of stagnation. Recessions are closer together; recovery slower.

6. Keyserling estimates 1962 GNP as 75 billion dollars below maximum production. (President's report estimates it as 30 to 40 billion dollars below reasonable potential.)

7. Proposed tax program would increase disposable personal income at annual rate of about 6 billion dollars during second half of year, or 3 billion dollars for year as whole. Tax reduction would probably add between 2 and 4 billion dollars to GNP in 1963 (subtracting increased social security taxes; and assuming every dollar added to flow of consumer income would result in close to twice that large an addition to GNP); most generous estimate of GNP impact of tax reductions would not approach Keyserling's

Reasons
more frequent
more severe
Unemployed
Hard core
Stagnation

GNP
GNP

Loss
of
GNP

growth rate target of 35 billion dollars GNP.

8. Not only is tax reduction too small--its potential diminished by being spread out.

I. PUBLIC NEEDS

1. In 1960, there were almost 10 1/2 million American families living ~~in poverty~~ ^{on low income} with incomes under \$4000 before taxes. This is almost one in every four families.

2. In 1960, almost 10 1/3 million American families ~~lived in~~ ^{had} deprivation with incomes ranging from \$4,000 to \$5,999. In addition, more than 2 million single persons had incomes from \$2,000 to \$2,999.

3. More than 56 percent of all individuals ~~lived under income~~ ^{had incomes under \$6000} conditions ~~meaning either poverty or deprivation~~.

4. The reduction of poverty has slowed down. Between 1929-1960, the total number of Americans living in poverty or deprivation was reduced only about 19 percent, an average reduction of only about 0.7 a year. Meanwhile the per capital income for the entire population increased by 76.6 percent indicating that too small a portion of economic progress has accrued to those who need it most.

II. CAPACITY TO FULFILL NEED (Is tax cut sufficient?)

1. Out of a total personal income tax reduction of about \$5 billion dollars, more than 36 percent, or about 3 billion dollars, would go to families with incomes of from \$10,000 up--one-fifth of total U.S. families.

2. Tax reduction is regressive in impact; what counts is the increase in disposable income not the percentage decrease in taxes paid. Hence, even with tax reduction, the Government must count on programs other than tax reduction to help improve distribution of income, and increased consumption.

3. Proposed tax reduction would leave more room for collection of taxes at other levels of government. BUT these are normally regressive-- i.e., sales, property, etc.--and less desirable than the progressive income tax.

III. HOW TO ACCOMPLISH THESE ENDS

1. Other programs must supplement tax reduction to help millions low down in income structure.
2. To absorb unemployed and additions to labor force private investment must be channeled into areas where needs are so great that even the rate of technological change will not prevent expanded employment.
3. Rising consumption must be both private and public, including public outlays for goods and services people cannot buy individually.

FEDERAL GALVANIZING ACTION

1. The Federal Budget is the single most important means available to induce satisfactory economic performance.

2. With adequate economic growth, Federal outlays would not rise as a percentage of the total national production.

3. State and local and private efforts would be generated by Federal leadership and result in a high rate of economic growth.

4. Areas of Economy

① a. Housing and urban renewal. About 1/6 of the total dwelling units in the U.S. are seriously substandard. Some 6.2 million units need repair and alterations beyond ordinary maintenance. There is a shortage of more than a million adequate dwellings.

② b. The outlook for home construction, according ~~the~~ to the Council of Economic Advisers, is approximately the same in 1963 as in 1962.

③ c. Mass transportation. Public policy must encourage investment in this area. Total railroad services are far short of what would be required by an economy performing at potential. The very fact that the railroad industry discounts potential for economic growth is a depressant factor with respect to economic growth.

d. Educational and Health.

5. Results of Greater Investment in These Areas.

a. There is a high incidence of disease, crime and other costly social ills in slum areas. Slums perpetuate poverty and deprivation.

b. Deficient education is in part a consequence of poverty and perpetuates it. It limits potential human resources available for national economic growth.

c. There is a correlation between low family incomes, disability or chronic ill health, and inadequate education.

MONETARY POLICY

1. Tax changes which encourage greater consumer spending are largely irrelevant to expansion of housing and transportation services.

2. Tight money and high interest rate policies impede economic growth and social justice by transferring money from those who would use it to meet economic and social needs to those who do not need the income enlargement.

PROPOSALS

1. It is appropriate that Federal domestic outlays grow in relation to population and per capita productive resources. To freeze Federal domestic outlays is actually a cutback when measured against a growing GNP.

2. Public spending necessary impetus to economy in interval before we have overcome problems of unemployment and underproduction.

3. More liberal monetary policy and lower interest rates necessary.

NEED FOR POSITIVE APPROACH

The challenge to eradicate poverty. Maldistribution of consumer spending not only an injustice but undermines economic health of nation.



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