

REMARKS OF SENATOR HUBERT H. HUMPHREY

WORK IN AMERICA INSTITUTE

SWEDISH-AMERICAN DIALOGUE

Washington, D. C.

April 5, 1976

Last summer I had the privilege of visiting Sweden and talking to Prime Minister Palme, members of his cabinet and numerous other officials of the Swedish government. It was a very educational experience for me.

I was particularly impressed with the management of the Swedish economy.

First of all, Sweden has very low unemployment.

Throughout 1975, the jobless rate was well below two percent on the average, and the most recent figure I have shows it at 1.8 percent.

Second, in spite of the notion entertained by many people in this country that Sweden is a Socialist economy, I found a vigorous healthy, productive, private economy in which the Swedes justifiably take great pride.

Sweden has used tax policy as an instrument of economic stabilization through its special stabilization fund.

I was particularly impressed by the fact that when industries are not able to survive profitably in Sweden, great efforts are directed to relocating the workers. These resources then are used for a more profitable enterprise.

I was surprised to learn that the Swedish economy was 90 percent private. The evidence of socialism is government ownership of the means of production. Obviously, by that test Sweden is far from Socialism -- although it is a humane society, and maintains an extensive tax-supported welfare program.

The Swedish government operates in the economy in two basic ways:

(1) Providing long-range economic projections to guide the economy and,

(2) Tax policies to stimulate investment in periods when recession threatens.

It appears to work quite well. I know Sweden has its problems, as any society must, but relatively speaking, its inflation experience has been no worse than ours, and its employment experience has been better than ours.

Permit me to mention a couple of observations that occurred to me during my visit to Sweden.

First of all, the excellent employment record is not the result of benevolent providence. It is the direct result of intelligently applied efforts to retrain and reemploy workers. People who are out of work in Sweden promptly are provided with retraining and relocation.

Second, Sweden has what appears to be an effective compensatory tax program, whereby corporations are encouraged to set aside profits each year in an investment reserve. These reserves are tax deductible and they are available for later investment at such time as the government deems it desirable to stimulate investment in order to avert recession.

My observations and discussions in Sweden had a profound impact on my own thinking regarding economic policy in the United States. I became more convinced than ever that we can do a better job of keeping our nation's resources in balance and fully employed.

Before concluding this statement, I would like to describe, briefly, the "Full Employment and Balanced Growth Act of 1976," which Congressman Hawkins and I have introduced. I think you will see clearly how this proposal is in part the product of the Swedish experience.

This is the most comprehensive and important economic legislation proposed since the Employment Act of 1946. This legislation breaks with the past by requiring a broad range of new economic policies to put our citizens to work and to provide for balanced growth.

It is an attempt to modernize our economic policy machinery in order to achieve the elusive national goal of a decent job for every American. It sets a national goal of reducing unemployment to 3 percent in four years.

The basic provisions of this bill are simple and straightforward.

First, the bill provides that goals must be set for economic performance and economic policies systematically coordinated to reach them. By goals I mean quantitative annual targets for employment, production, and purchasing power. These must be proposed each year by the President and debated and acted upon by the Congress. The Federal Reserve Board would be directed to follow policies consistent with those targets. Part of the reason we have not reached our full employment objectives in the past is because we were not sure where we were trying to go or how fast we were trying to get there. Dr. Burns and I have discussed this point and he agrees.

Second, the bill provides that these annual goals be established within the framework of a longer-run planning process. This process would bring together all the different elements in our complex set of economic policies, see what they add up to and whether they will achieve our goals.

Third, the bill envisages that aggregate fiscal and monetary policy will continue to be the basis for sustaining an adequate level of overall production throughout the economy. But the bill goes on to recognize that fiscal and monetary policy may at times need to be strengthened by a variety of supplemental policies. These policies fall into two categories; one category consists of those stand-by policies which take effect when recession threatens. These included anti-recession assistance to States and localities, emergency work opportunities for the unemployed, and the systematic timing of public works to offset economic fluctuations.

The other group of supplemental policies are those which we need on a continuing basis, such as job training and placement services; employment opportunities for young people, and policies to assist in combatting inflation.

In addition, these measures include a program for improving the efficiency of the Federal Government by, among other things, requiring a review of existing Government rules and regulations to assure that they still serve a purpose, and an annual evaluation of 20 percent of the dollar volume of existing Federal programs.

These, I believe, are the essential elements of a coordinated national economic policy, a new economics for the modern age. I don't know if this bill contains all the answers. Certainly, I expect it will undergo some change in the Committees of Congress.

I do know this: the need for action is urgent. The economy does not just take care of itself. Full employment will not just happen. It must be made to happen.

When I discuss the Humphrey-Hawkins bill, I am typically asked only one question: What does it cost? Please, don't just ask one question. By all means ask what the Humphrey-Hawkins bill costs. But then go on and ask: What would the costs be without it?

Let me try to give brief answers to these important questions.

The cost of direct job assistance by the government depends on the strength of the private economy. I expect a strong private economy. I expect the residual role to be filled by government-assisted employment to be relatively small and the cost to be quite manageable. Once we've recovered from the recent recession the costs are likely to be very small indeed. I am not advocating and do not support putting massive numbers of people on the Federal payroll. I would like to dispel the misconception that has grown up on this point. But, I do want people working and producing, not waiting in welfare lines.

Let me point out what it costs not to have full employment.

-- Excessive unemployment cost Americans \$230 billion in lost incomes and production in 1975. By the end of the decade high unemployment will have cost at least \$1 trillion.

-- Excessive unemployment cost the Federal Government some \$80 billion in lost revenues and increased spending to provide unemployment compensation, Food Stamps and welfare last year.

-- Excessive unemployment cost our state and local governments \$27 billion dollars last year and produced the worst budget crisis in our cities in forty years.

-- Excessive unemployment and recession cost America 10,000 business failures last year, idled nearly one-third of our industrial plant and equipment, and robbed our economy of billions of dollars of business investment.

I hope that as a Nation we are not so blind that we cannot see the benefits of investment in work opportunities for all who want to work.

As I see it, one of the reasons for the Swedish success is that they focus on the cost of the disease of unemployment and stagnation and not the cost of the cure as we are so apt to do.

We should learn this lesson well and apply it without further delay.

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- Mr Jerry Rousseau
- Mr Clark Kerr
- Axel Sueroth

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Pete Colledo

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I WAS PARTICULARLY IMPRESSED WITH THE MANAGEMENT OF THE SWEDISH ECONOMY.

FIRST OF ALL, SWEDEN HAS VERY LOW UNEMPLOYMENT.

↳ THROUGHOUT 1975, THE JOBLESS RATE WAS WELL BELOW TWO PERCENT

ON THE AVERAGE, AND THE MOST RECENT FIGURE I HAVE SHOWS IT AT

1.8 PERCENT.

↳ SECOND, IN SPITE OF THE NOTION ENTERTAINED BY MANY PEOPLE IN THIS COUNTRY THAT SWEDEN IS A SOCIALIST ECONOMY, I FOUND A

VIGOROUS HEALTHY, PRODUCTIVE, PRIVATE ECONOMY IN WHICH THE

SWEDES JUSTIFIABLY TAKE GREAT PRIDE.

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STABILIZATION THROUGH ITS SPECIAL STABILIZATION FUND.

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SWEDEN IS FAR FROM SOCIALISM -- ALTHOUGH IT IS A HUMANE SOCIETY,

AND MAINTAINS AN EXTENSIVE TAX-SUPPORTED WELFARE PROGRAM.

THE SWEDISH GOVERNMENT OPERATES IN THE ECONOMY IN TWO BASIC

WAYS:

L (1) PROVIDING LONG-RANGE ECONOMIC PROJECTIONS TO GUIDE THE ECONOMY AND,

L (2) TAX POLICIES TO STIMULATE INVESTMENT IN PERIODS WHEN RECESSION THREATENS.

IT APPEARS TO WORK QUITE WELL. I KNOW SWEDEN HAS ITS PROBLEMS, AS ANY SOCIETY MUST, BUT RELATIVELY SPEAKING, ITS INFLATION EXPERIENCE HAS BEEN NO WORSE THAN OURS, AND ITS EMPLOYMENT EXPERIENCE HAS BEEN BETTER THAN OURS.

~~(X)~~ PERMIT ME TO MENTION A COUPLE OF OBSERVATIONS THAT OCCURED TO ME DURING MY VISIT TO SWEDEN, Sweden - 90% private

L FIRST OF ALL, THE EXCELLENT EMPLOYMENT RECORD IS NOT THE RESULT OF BENEVOLENT PROVIDENCE L IT IS THE DIRECT RESULT OF INTELLIGENTLY APPLIED EFFORTS TO RETRAIN AND REEMPLOY WORKERS.

PEOPLE WHO ARE OUT OF WORK IN SWEDEN ~~PROMPTLY~~ ARE PROVIDED WITH
RETRAINING AND RELOCATION.

SECOND, SWEDEN HAS WHAT APPEARS TO BE AN EFFECTIVE COMPENSATORY
TAX PROGRAM, WHEREBY CORPORATIONS ARE ENCOURAGED TO SET ASIDE
PROFITS EACH YEAR IN AN INVESTMENT RESERVE THESE RESERVES ARE
TAX DEDUCTIBLE AND THEY ARE AVAILABLE FOR LATER INVESTMENT AT
SUCH TIME AS THE GOVERNMENT DEEMS IT DESIRABLE TO STIMULATE
INVESTMENT IN ORDER TO AVERT RECESSION.

MY OBSERVATIONS AND DISCUSSIONS IN SWEDEN HAVE A PROFOUND
IMPACT ON MY OWN THINKING REGARDING ECONOMIC POLICY IN THE
UNITED STATES. I BECAME MORE CONVINCED THAN EVER THAT WE CAN
DO A BETTER JOB OF KEEPING OUR NATION'S RESOURCES IN BALANCE AND
Production
FULLY EMPLOYED.

BEFORE CONCLUDING THIS BRIEF STATEMENT I WOULD LIKE TO DESCRIBE, BRIEFLY, THE "FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1976," WHICH CONGRESSMAN HAWKINS AND I HAVE INTRODUCED.

I THINK YOU WILL SEE CLEARLY HOW THIS PROPOSAL IS IN PART THE PRODUCT OF THE SWEDISH EXPERIENCE.

THIS IS THE MOST COMPREHENSIVE AND IMPORTANT ECONOMIC LEGISLATION PROPOSED SINCE THE EMPLOYMENT ACT OF 1946. THIS LEGISLATION BREAKS WITH THE PAST BY REQUIRING A BROAD RANGE OF NEW ECONOMIC POLICIES TO PUT OUR CITIZENS TO WORK AND TO PROVIDE FOR BALANCED GROWTH.

IT IS AN ATTEMPT TO MODERNIZE OUR ECONOMIC POLICY MACHINERY IN ORDER TO ACHIEVE THE ELUSIVE NATIONAL GOAL OF A DECENT JOB FOR EVERY AMERICAN. IT SETS A NATIONAL GOAL OF REDUCING ^{adult} UNEMPLOYMENT TO 3 PERCENT IN FOUR YEARS.

THE BASIC PROVISIONS OF THIS BILL ARE SIMPLE AND STRAIGHT-FORWARD.

FIRST, THE BILL PROVIDES THAT GOALS MUST BE SET FOR ECONOMIC PERFORMANCE AND ECONOMIC POLICIES SYSTEMATICALLY COORDINATED TO REACH THEM. BY GOALS I MEAN QUANTITATIVE ANNUAL TARGETS FOR EMPLOYMENT, PRODUCTION, AND PURCHASING POWER. THESE MUST BE PROPOSED EACH YEAR BY THE PRESIDENT AND DEBATED AND ACTED UPON BY THE CONGRESS. THE FEDERAL RESERVE BOARD WOULD BE DIRECTED TO FOLLOW POLICIES CONSISTENT WITH THOSE TARGETS. PART OF THE REASON WE HAVE NOT REACHED OUR FULL EMPLOYMENT OBJECTIVES IN THE PAST IS BECAUSE WE WERE NOT SURE WHERE WE WERE TRYING TO GO OR HOW FAST WE WERE TRYING TO GET THERE. DR. BURNS AND I HAVE DISCUSSED THIS POINT AND HE AGREES.

SECOND, THE BILL PROVIDES THAT THESE ANNUAL GOALS BE ESTABLISHED WITHIN THE FRAMEWORK OF A LONGER-RUN PLANNING PROCESS. THIS PROCESS WOULD BRING TOGETHER ALL THE DIFFERENT ELEMENTS IN OUR COMPLEX SET OF ECONOMIC POLICIES, SEE WHAT THEY ADD UP TO AND WHETHER THEY WILL ACHIEVE OUR GOALS.

THIRD, THE BILL ENVISAGES THAT AGGREGATE FISCAL AND MONETARY POLICY WILL CONTINUE TO BE THE BASIS FOR SUSTAINING AN ADEQUATE LEVEL OF OVERALL PRODUCTION THROUGHOUT THE ECONOMY. BUT THE BILL GOES ON TO RECOGNIZE THAT FISCAL AND MONETARY POLICY MAY AT TIMES NEED TO BE STRENGTHENED BY A VARIETY OF SUPPLEMENTAL POLICIES.

THESE POLICIES FALL INTO TWO CATEGORIES; ONE CATEGORY CONSISTS OF THOSE STAND-BY POLICIES WHICH TAKE EFFECT WHEN RECESSION THREATENS.

↳ THESE INCLUDED ANTI-RECESSION ASSISTANCE TO STATES AND LOCALITIES,
EMERGENCY WORK OPPORTUNITIES FOR THE UNEMPLOYED, AND THE
SYSTEMATIC TIMING OF PUBLIC WORKS TO OFFSET ECONOMIC FLUCTUATIONS.

↳ THE OTHER GROUP OF SUPPLEMENTAL POLICIES ARE THOSE WHICH
WE NEED ON A CONTINUING BASIS, SUCH AS JOB TRAINING AND PLACEMENT
SERVICES; EMPLOYMENT OPPORTUNITIES FOR YOUNG PEOPLE, AND POLICIES
TO ASSIST IN COMBATTING INFLATION.

↳ IN ADDITION, THESE MEASURES INCLUDE A PROGRAM FOR IMPROVING
THE EFFICIENCY OF THE FEDERAL GOVERNMENT BY, AMONG OTHER THINGS,
REQUIRING A REVIEW OF EXISTING GOVERNMENT RULES AND REGULATIONS,
TO ASSURE THAT THEY STILL SERVE A PURPOSE, AND AN ANNUAL EVALUATION
OF 20 PERCENT OF THE DOLLAR VOLUME OF EXISTING FEDERAL PROGRAMS.

THESE, I BELIEVE, ARE THE ESSENTIAL ELEMENTS OF A COORDINATED NATIONAL ECONOMIC POLICY, A NEW ECONOMICS FOR THE MODERN AGE. I

DON'T KNOW IF THIS BILL CONTAINS ALL THE ANSWERS. CERTAINLY I EXPECT IT WILL UNDERGO SOME CHANGE IN THE COMMITTEES OF CONGRESS.

I DO KNOW THIS: THE NEED FOR ACTION IS URGENT. THE ECONOMY DOES NOT JUST TAKE CARE OF ITSELF. FULL EMPLOYMENT WILL NOT JUST HAPPEN. IT MUST BE MADE TO HAPPEN.

WHEN I DISCUSS THE HUMPHREY-HAWKINS BILL, I AM TYPICALLY ASKED ONLY ONE QUESTION: WHAT DOES IT COST? PLEASE, DON'T JUST ASK ONE QUESTION. BY ALL MEANS ASK WHAT THE HUMPHREY-HAWKINS BILL COSTS. BUT THEN GO ON AND ASK: WHAT WOULD THE COSTS BE WITHOUT IT?

LET ME TRY TO GIVE BRIEF ANSWERS TO THESE IMPORTANT QUESTIONS.

THE COST OF DIRECT JOB ASSISTANCE BY THE GOVERNMENT DEPENDS ON
THE STRENGTH OF THE PRIVATE ECONOMY. I EXPECT A STRONG PRIVATE
ECONOMY. I EXPECT THE RESIDUAL ROLE TO BE FILLED BY GOVERNMENT-
ASSISTED EMPLOYMENT TO BE RELATIVELY SMALL AND THE COST TO BE
QUITE MANAGEABLE. ONCE WE'VE RECOVERED FROM THE RECENT
RECESSION, THE COSTS ARE LIKELY TO BE VERY SMALL INDEED. I AM NOT
ADVOCATING AND DO NOT SUPPORT PUTTING MASSIVE NUMBERS OF PEOPLE
ON THE FEDERAL PAYROLL. I WOULD LIKE TO DISPEL THE MISCONCEPTION
THAT HAS GROWN UP ON THIS POINT. BUT, I DO WANT PEOPLE WORKING
AND PRODUCING, NOT WAITING IN WELFARE LINES.

LET ME POINT OUT WHAT IT COSTS NOT TO HAVE FULL EMPLOYMENT.

-- EXCESSIVE UNEMPLOYMENT COST AMERICANS \$230 BILLION IN
LOST INCOMES AND PRODUCTION IN 1975. BY THE END OF THE DECADE
HIGH UNEMPLOYMENT WILL HAVE COST AT LEAST \$1 TRILLION.

-- EXCESSIVE UNEMPLOYMENT COST THE FEDERAL GOVERNMENT SOME
\$80 BILLION IN LOST REVENUES AND INCREASED SPENDING TO PROVIDE
UNEMPLOYMENT COMPENSATION, FOOD STAMPS AND WELFARE LAST YEAR.

L -- EXCESSIVE UNEMPLOYMENT COST OUR STATE AND LOCAL
GOVERNMENTS \$27 BILLION DOLLARS LAST YEAR AND PRODUCED THE WORST
BUDGET CRISIS IN OUR CITIES IN FORTY YEARS.

L -- EXCESSIVE UNEMPLOYMENT AND RECESSION COST AMERICA 12,000
BUSINESS FAILURES LAST YEAR, IDLED NEARLY ONE-THIRD OF OUR
INDUSTRIAL PLANT AND EQUIPMENT, AND ROBBED OUR ECONOMY OF
BILLIONS OF DOLLARS OF BUSINESS INVESTMENT.

I HOPE THAT AS A NATION WE ARE NOT SO BLIND THAT WE CANNOT
SEE THE BENEFITS OF INVESTMENT IN WORK OPPORTUNITIES FOR ALL WHO
WANT TO WORK.

AS I SEE IT, ONE OF THE REASONS FOR THE SWEDISH SUCCESS
IS THAT THEY FOCUS ON THE COST OF THE DISEASE OF UNEMPLOYMENT
AND STAGNATION AND NOT THE COST OF THE CURE AS WE ARE SO APT
TO DO.

WE SHOULD LEARN THIS LESSON WELL AND APPLY IT WITHOUT
FURTHER DELAY.

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