

The Economic Club of New York

The Honorable Arthur J. Goldberg

Secretary of Labor

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Members and guests of the Economic Club of New York:

Our minds tonight naturally turn to the situation in Cuba. Whatever differences in viewpoints exist in reference to our domestic economy, there is no difference among our people in that area.

We are united without dissent behind our country and our President.

If tonight I speak about the problems in the domestic economy, especially the problem of hard-core unemployment, it is because I believe there can be no divorce of domestic economic strength and vigorous foreign policy. A strong economy is the bedrock of an effective foreign policy.

This is an appropriate time to appraise our economy. The Administration tonight completes 90 days in office. My vantage point, then, is a happy one, coming before the traditional 100 days have elapsed. In making this appraisal, I would remind you of the President's warning in his Inaugural Address. He said that the great problems that confront this nation would not be solved in 100 days, or perhaps in 1,000 days.

When this Administration took office, it faced serious problems. There was a recession of serious magnitude. Many millions of our fellow citizens were without work. The growth rate was far under that needed to meet our commitments. Our factories and mills were operating far under capacity. Hours of work were falling toward a post-war low. Corporate profits were declining.

The first job of any Administration is to make an order of priorities. President Kennedy eloquently stated ours in his Inaugural Address, his State of the Union Address, his Economic Message, and other messages sent to Congress.

The adverse balance of trade payments had to be quickly reversed. I consider it a significant achievement that this has been done.

Immediate help was needed by millions of Americans in great personal distress because of the economic situation. This is being given through the Surplus Food Program and the Temporary Extended Unemployment Compensation Law, under which additional benefits are now being paid. This will place \$1 billion in purchasing power in the hands of those who need it. The Congress will soon have ready for passage the Aid to Dependent Children program.

Direct stimulation to economic life is resulting from early payments of veterans' insurance dividends from speeded-up tax refunds, and from a lowering of the FHA interest rate. In addition, all agencies of the government have been directed to speed up procurement. This has been done on a considerable scale. It is a traditional use of public purchasing power to aid a lagging economy.

In addition, the Area Redevelopment Bill is now before a conference committee of the Congress. This is not solely an anti-recession measure. It is a permanent program to deal with the larger

problem I will discuss tonight – hard-core unemployment and communities and people affected by it. Other large-scale and permanent programs have been recommended. These include Federal assistance for public elementary and secondary classroom construction and teachers' salaries; the expansion of housing construction and home purchase; the better development and utilization of our natural resources; and a soundly financed highway program.

Tomorrow, the President will send to Congress a new tax program. It will offer incentives to promote capital investment and the necessary modernization of our industrial plant. As I have pointed out many times, we must modernize. An estimate has been made that at least \$95 billion is required to do the job. That is a modest estimate. Many economists feel that much more will be needed if we are to retain a competitive position in world markets.

Now all of these programs have a double effect. They will move the economy toward higher levels. But more importantly, they will improve our social life. Highways, schools, and housing mean not only jobs for working people and profits for businessmen. They mean a more informed and stronger people.

In designing such programs, the Administration has been guided by several paramount considerations: the intrinsic worth of the program, the broad social and economic policies achieved by the program, and conceptions of fiscal responsibility to finance the program. Many of these programs carry their own taxes to support them. Where budgetary estimates have been

increased, it is because of clear need: primarily in the defense program.

A large part of the budgetary consequences of these programs is due to the overestimate of tax receipts made by the prior administrator – certainly not by intention or with deliberation but rather because of an inadequate forecast of the extent of the recession.

Regarding that recession, I think everyone now accepts the fact that we have been in one for several months, I must say that when I took office, and after consulting with government economists, mentioned the terrible word “recession,” there were many notes of criticism that I was encouraging the downward trend of the business cycle.

I think you will agree with me that there is no foundation for such criticism. The business community, the labor community, the Congress, the public at large are entitled to know the facts of economic life. It is the purpose of the President and his Administration to state the facts exactly as they are.

For the last several weeks my colleagues in the government and myself have been reporting the signs of some recovery from the recession. The decline in production has halted; housing starts improved more than seasonally in March; new orders for durable goods were up in March; the work week has turned back up.

Now let me say plainly that while there is evidence of recovery from the recession, it is too early to say that we are entirely out of the woods. And certainly no one can argue that we are near that rate of economic growth we so badly need. However, for the purposes of my topic tonight, I am going to assume that in a reasonably short period, we will overcome most of the effects of the recession.

I am not enough of an economist to predict whether or not we will enter a boom period immediately thereafter. But it is interesting to me that those who predict a boom also predict a high level of unemployment along with it. A recent magazine analyst postulates, for 1962, which they estimate to be a boom year, breaking all records, 5,100,000 unemployed, in a working force of 70 million. That is a rate of 7 percent.

Let me give you my own estimate, as I see it and my Department sees it: There are now 5,500,000 unemployed. In the next 12 months, the labor force will grow by 1,300,000. We anticipate 1,800,000 job displacements in industry and on the farm due to technological change. And finally, another 1,900,000 jobs will be required to put the involuntary part-time employed on a full time basis. That adds up to 10,500,000 new jobs in the next year alone.

Even if we assumed an attainable unemployment rate of 4 percent, we would still need to provide 7,300,000 new jobs this year. And 4 percent is not a desired average, only an early goal. Obviously, we must do better than that. That is a vast challenge and a huge responsibility.

I am quite glad that public attention is finally being focused on this issue. Those now seriously considering the problem are saying to the government: what are you going to do about it?

To them, I would say two things:

First, I am proud that this Administration drew national attention to the problem of hard-core unemployment. It has needed attention for a long time. It did not arise overnight. It did not suddenly appear on the landscape on January 20, 1961. It has been perfectly obvious for some years that we were developing a serious problem of hard-core unemployment. The history of the last three recessions shows this, when each recovery displayed a higher unemployment rate than the previous one.

The effective statements of the President – during the campaign and since the campaign – and the work that spokesmen for the Administration have been doing to call attention to this issue have resulted in a wide public understanding of the nature of this problem.

With this awareness there is a demand for action. That is wholly understandable and completely welcome. It is well to know, however, that a problem of long duration and little attention will not be solved overnight. It will require a well-developed and well-conceived program of action. Our needs, and our programs are under constant study. The President will, of course, speak for the Administration when an evaluation indicates it. It would be inappropriate for me to speak for him.

There are several obvious areas that any program to alleviate hard-core unemployment must take into consideration, however. I suggest these areas, not to indicate in any way what the final outcome of Administration deliberation will be, but to indicate the scope of the problems.

The problem of hard-core unemployment requires, to my mind, a three-pronged attack.

First, management and labor must privately attack this problem. I have said many times that the final solution to unemployment is jobs in private industry, and increasing the rate of recovery in private industry to full production. The time has come when it is necessary for each of these elements of society to realize that they must do better than they have been doing in this area.

If management must automate, and I believe it must, then it must also assume a larger role than it has in the past to ease the transition for human beings. Management has got to stop automatically resisting proposals to ease the human burden of automation, whether they are made by labor unions or public officials. Management officials must do more than they have done to provide themselves the devices to prevent hard-core unemployment. Retraining programs, allowance payments, vesting of pensions, care in the location and relocation of plants, and a host of other schemes should receive management's most serious attention.

Labor, for its part, must meet management halfway. It must abandon restrictive practices. Both sides must think out of the operations of seniority systems. Both sides must concentrate on

devices to increase labor mobility. Both must jointly explore these problems.

I am happy to say that this is beginning. The study groups in Kaiser Steel, in Armour and in other industries are well known. The problems that confront such groups are also becoming known, as they should. This is a difficult and complex area, where economic trends and human lives are intricately involved. No one can promise that cooperation can find easy or simple solutions, but we can promise no solutions will be found without it.

It is of great significance that this entire problem is the priority item on the agenda of the President's Advisory Committee on Labor-Management Policy. I have enduring confidence in the resourcefulness of American management and American labor. They must now make a major contribution to ending hard-core unemployment. I feel they have made only a minor contribution thus far.

The second prong of the attack on unemployment is based on local and state governments. Their responsibility is highlighted in the Area Redevelopment Bill. They must be ready with plans and projects for the development of their own economic lives. They must have on the shelf important public facilities and natural resources programs. Unlike the Depression period, the initiative for public works to provide for area development must come from the local areas, with the help of the Federal Government, and not vice versa.

Furthermore, and more importantly, the states and the local governments, who have the primary responsibility for education, must assure that their facilities are adequate to educate young men and women to the needs of a technological society. Here too, while the Federal Government should help, I feel, because of the great burden of taxation that falls today upon local communities, the responsibility remains with the local and state governments.

Thirdly, the Federal Government has an important part in this three-pronged effort. I feel that it has been as derelict in the past, in meeting its full responsibility, as have labor and management in their sector, and local governments in theirs.

Nowhere in government has there existed an operational unit dealing with automation and manpower. I have announced my intention to do something about this. Tomorrow morning, that intention will be demonstrated by action. I am creating by General Order an Office of Automation and Manpower within the Department of Labor. This office has been directed to examine employment and unemployment by industry, occupation and area, to follow current and anticipated technological changes. It will consider and develop educational and guidance programs to allow workers who may be displaced by automation to find new employment, without suffering a long period of unemployment. It will develop proposals for both training and retraining, for both placement and replacement of workers coming into the new economy, and those who must change their places within it.

Now all of those things I have described answer in part the question: what are you doing?

There is now another question in the air. As the Kennedy Administration moves to meet its responsibilities for a better and higher economic life, we are asked: are you doing enough?

In an automated society, we will obviously have to have better trained people. We have found that job opportunity focuses on skill – the higher the skill, the better the opportunity. We must consider, along with the efforts of labor and management, the training and retraining of people, as the example of the Area Redevelopment Act indicates. We must create proper governmental policies to help preserve the mobility of the labor force.

Our New Frontiers exist in employment opportunity as well as along the broader ranges of national policy. We must see to it that there are no artificial barriers because of race, creed or color. The government has already embarked upon this effort in relation to its own employment and work performed under its own contracts.

Government policy, consistent with free institutions, must look forward to the full utilization of our manpower. We are now concerned with unemployment. In many occupational areas of the future, there may well be shortages.

We should preview the role of the Federal Government in the development of natural resources.

We should preview the proper relationships and partnerships that exist between Federal and State

and local governments for the development of public facilities. And, of course, we must make certain that our fiscal policies are compatible with growth and expansion and contribute a climate of business and employment opportunity

Some of this has already been done. The government is reviewing other appropriate measures in this area. The issues are complex. Solutions are often elusive and difficult. But we will strive to find them, and I believe we can and will find them.

I urge this upon you, as I do upon all groups I meet with. The three-pronged attack on unemployment I have described can be successful only if there is a working partnership between all elements of society. None is large enough to carry the burden itself.

The words of our President in his Inaugural Address are fitting to the time: “Let both sides explore what problems unite us instead of belaboring those problems which divide us.”

End of Remarks