FOR TUESDAY P.M. PAPERS
MAY 11, 1954

NEWS RELEASE

from the Desk of SENATOR HUBERT H. HUMPHREY

140 Senate Office Building, Washington 25, D.C., NAtional 8-3120, Ext. 881

SETTING OUR SIGHTS AT NEW GOALS

America should set its sights toward a $500 billion economy by 1960, Senator Hubert H. Humphrey declared today in an address before the CIO Full Employment Conference in Washington.

Warning that "goals of yesterday are no longer adequate for the needs and aspirations of today and the tomorrows to come", Senator Humphrey emphasized the need for a constantly expanding economy to provide adequate economic opportunity for a growing population in an era of great technological advancement.

"We cannot stand still, without really slipping backwards," Senator Humphrey said. "Our total national production ought to grow by at least 4 percent every year, in order to just keep up with our existing needs. In other words, we must grow by 4 percent each year in order to even stand still -- and all of us want to do more than that, to move ahead toward higher living standards and a brighter future."

If our economic growth can be kept expanding "as it should" to the $500 billion mark by 1960, Senator Humphrey said, here is what it could mean for the American people:

70 million jobs.

A minimum $4,000 a year standard of living.

An over-all increase of 40 percent in this nation's living standards.

An average weekly wage of $100 for production workers. (It is now a little more than $71 a week.)

An increase in farm production of 20 to 25 percent, with plenty of markets for the increased production.

An annual business investment rate of from 80 to 90 billion dollars, with annual corporate profits before taxes of about $55 billion. (Last year corporate profits, before taxes, were about $44 billion, and with lower tax rates in 1960, profits after taxes would be even greater.)

"In such an expanding economy, the Federal budget could be balanced with a 20 percent reduction in tax rates," Senator Humphrey declared.

"These goals can be realized. They will be realized if we have a determined body of public opinion that demands full employment, and the maximum utilization of our economic resources.

"They will be realized, because there are groups like this conference meeting throughout the Nation demanding action by their government", Senator Humphrey said.

ADDRESS BY SENATOR HUBERT H. HUMPHREY
CIO Full Employment Conference
Washington, D. C., May 11, 1954

Thank you. Mr. Chairman, David McDonald, Mr. President Reuther, Mr. Secretary Humphrey, Ladies and Gentlemen.

I consider it a privilege and a challenge to address your conference this afternoon. I am also well aware of the intriguing possibilities that you anticipated in having both the Secretary of the Treasury and myself speak to you from the same platform on the same afternoon. Secretary George Humphrey and I had the occasion recently to talk to each other on the telephone about the confusion that plagues both of us as a result of the similarity of our names. I know that I speak for him when I say to you that we are not related either biologically or politically. I want to make it clear, however, that I have an extremely high regard to him and his abilities. He is one of the most able men in the Administration.

Now, let me get down to the issue. You are meeting here today because you are concerned about unemployment and about certain dangers to our economy. I have agreed to come and talk to you today because I am likewise troubled by certain signs on the economic horizon. I have certain suggestions to make to you and to the American people about how we can meet successfully the dangers to our economy. I believe that if we intelligently look at the facts, face and recognize the prevailing economic developments, we can then effectively solve the problem.

So that we may better understand each other, let me lay down certain basic attitudes of mine which may serve to clarify my position.

First, I am not just an economic McCarthy. Or to put it another way, I am not just anti-depression. I am more so pro-prosperity, pro-progress. Therefore, in my remarks to you this afternoon, I shall not limit myself with merely citing current economic developments and the amazing economic progress of our economy in recent years. Nor shall I rest my case upon the mere outline of measures by both government and private enterprise which if adopted would stop the decline and result in holding our own in the year 1954. We need more than an anti-depression policy. The law of this land, the Employment Act of 1946, states as our national objective that we keep the economy moving forward at "maximum employment, production and purchasing power."

Therefore, I underscore the importance of directing our thinking towards the realization of an expanding economy, not a retreating or static one. It is not good enough, nor is it at all comforting to me to read that 1954 will not be more than 5% below 1953. This statement within itself admits the loss of approximately $17 billion in gross national product, without taking into account the productivity growth factor of approximately 4% per year, or the sharp increase in our population of over 2 1/2 million the past year. A 5% decline in 1954 from the levels of 1953 with the productivity growth factor included actually means approximately $30 billion loss in gross national product.

The real problem that confronts us is can we, as we move farther into a peacetime economy, maintain maximum employment, production and purchasing power, or are we going to permit a so-called leveling out process -- readjustment -- economic dip -- slump -- or whatever you wish to call it, which may very well engender a spiraling depression.

The American economy will not stand still. It either goes ahead or goes back. There is no such thing as a static situation, particularly when you have a growing country and increasing population, and continuous new developments in science and technology. All of our thinking on matters pertaining to our economic system must be related to and conditioned by the knowledge of the fantastic developments in science and technology here in America and abroad. The issue is growth or stagnation, and this issue was clearly understood when the Congress in the Employment Act of 1946 called upon the Council of Economic Advisers to set forth, in its annual economic report, the levels of employment, production and purchasing power needed to carry out the policy of the Act. Despite the mandate and directive

-more-

of the Employment Act, the President's recent Economic Report, while a masterpiece of statistical analysis and economic reporting, did not set these levels or targets. The report devoted a good deal of attention to the problem of preventing a depression in 1954. But I regret to say it did not set forth the levels of employment, production and purchasing power necessary to meet the criteria of maximum employment, production and purchasing power.

Here is the area of disagreement between myself and the Secretary of the Treasury, Mr. Humphrey, representing the Eisenhower Administration. In fact, here is the difference between the Republican philosophy and the Democratic philosophy. You may recall that when the Employment Act of 1946 was debated, the original title was the Full Employment Act. At the insistence of the Republicans, the word "full" was stricken from the title. Fortunately, however, the Act does lay down the responsibility upon the Council of Economic Advisors and the President to set levels and targets for maximum employment, production and purchasing power. It is to this goal that I direct my attention.

Now, for a brief discussion of economic trends and developments in recent years, only as a means of background in order to document the realization of goals for the future.

The brilliant and reknowned economist, Dr. Alvin H. Hansen, Professor of Political Economy at Harvard University, testifying before the Joint Committee on the Economic Report, February 18, 1954, had this to say:

> "In the four years 1950, 1951, 1952 and 1953, we lifted the level of output of goods and services by $73 billion, calculated in terms of constant (1953) dollars. This was a spectacular achievement for which it would be difficult to find a parallel. It was achieved, as everyone knows, under the powerful stimulus of massive fiscal operations of the government. Yet, the public debt rose in this four year interval by only $18 billion. The disposable income of individuals (i.e., income <u>after</u> taxes) increased by $36 billion, in terms of constant dollars. The liquid accumulated savings of individuals increased by $41 billion. In this interval we added 4,716,000 new units to our stock of urban houses, employment rose by 3,200,000, and the aggregate investment in new producers' plant and equipment reached the massive total of $140,000,000,000. Over and above the rapidly expanding military production, the output of civilian peacetime goods reached unprecedented levels."

He further went on to say the expansion of the last four years was a solid growth which left the economic strength in sound financial condition and in good balance. To this the Economic Report gives further substantiation. Dr. Hansen underscores the fact that unemployment in the last three years averaged only 2.7%. Then, I pose the question which I think is the issue before this assembly. Is there any good reason why we could not now move on up to our full potential in 1954, 1955, and 1956, just as we did in 1950, 1951, 1952 and 1953? It should be noted that in the years 1950 through 1953, the gross national product increased by an average of over $18 billion a year. To be sure, past experience based on growth in workers productivity and in the labor force suggests an annual increase of not less than 3 1/2% per year in the total output of goods and services. The rate of growth from 1950 through 1953 was slightly in excess of the well known 3 1/2% long-run trend. I have cited the observations of Dr. Hansen because his testimony is generally accepted as being the concensus of eminent and informed economists. The emphasis upon a growing economy, upon maximum production, full employment and increased purchasing power is our declared national policy and it is the duty and responsibility of government and industry to do everything within their power to achieve these goals. It is just these things that are not being done. In fact, the recent Economic Report fails to heed the mandates set forth by the Congress to promote maximum employment, production and purchasing power.

Instead, reference is made to a "reasonable measure of stability in the overall level of employment and income." (page 7). And again, a page or so later, one reads of maintaining "employment at a high level."

This, I suggest, is a considerable toning down of the mandate laid down by the Congress in the Employment Act of 1946. The failure of the economic report to set forth feasible and realizable goals which the American economy is capable of achieving may well be the Achilles heel -- the soft spot in our economic armor, or as one economist has put it - "Until these targets are set forth as indeed is explicitly required in the Employment Act, we are in no position to know how far we fall short of our potentials. This is but another way to say that mere expansion of production or a moderate increase in employment such as we have recently witnessed may very well leave us with a rapidly growing volume of unemployment and with total output far below our potential and the actual requirements of an expanding economy. In statistical and economic terms what I have said, if applied to the year of 1954, means that with a 5% drop in this year's gross national product, we would be $30 billion below our potential. This is $30 billion lost and gone, irretrievable. Just think that $30 billion could mean to the American people, to the Federal budget, to the taxpayers.

We hear a great deal about the cost of government, the large expenditures of our government and the heavy taxes. May I suggest that while all of these facts cause great concern to the American people that it is nothing short of shocking that there seems to be so little concern about the loss of income through failure to realize the possibilities of our economic development, or the fantastic cost of recession and depression.

Leon Keyserling, Former Chairman of the Council of Economic Advisors, in a recent address in Denver, Colorado submitted some interesting and revealing economic data concerning the 12 years from 1929 to 1940. Measuring his statistics in current price he had this to say: "Our national output in those 12 years was $635 billion less than it would have been if we had maintained a prosperous and growing economy, and that was a loss of more than $50 billion a year. We lost $85 million years of employment. This loss averaged about $7 million man-years of employment a year."

Mr. Keyserling's analysis is based upon the declared national policy of our government -- namely, the maximum employment, production and purchasing power each year. Yes, we lost $635 billion in production of homes and food, tools, automobiles, education. We lost about twice the cost to us of World War II in goods. These matters of production and employment are the throbbing realities of our economy and these are what we have lost whenever we have gotten into a state of mind where we are seemingly little concerned about so-called slight down-turns in the economy, readjustments, slumps, dips, etc. I suggest that we try to translate these words into economic facts and then into the realities of life -- what it means in terms of jobs, income, production, homes, schools and the necessities of life.

Enough of history and general economic philosophy. We are meeting here today on May 11, 1954. What are the current economic facts? What has been happening in our country in recent months? Why should people meet in Washington to discuss full employment? Why are economists busily engaged in careful study and analysis of the current economic situation?

The answer is quite simple. There are signs on the economic horizon which cause thoughtful people to be concerned. The facts are unmistakably clear. The American economy has been in recent months and still is in a recession. Now let me make the record clear by saying that we are not in a depression. We are, however, witnessing and experiencing the first danger signals of the economic storms. This economic down-swing has been underway for the past six or seven months. Millions of Americans today are experiencing the painful reality of layoffs, job hunting, lower incomes, reduced business profits, falling production in sales and economic insecurity.

What I have said to you does not qualify me as a "Republican Security Risk," or a prophet of "gloom and doom." It may, however, entitle me to claim that I have done my economic homework. I suggest that the slogan makers of this Administration and the public relations experts be put in a Democratic deep freeze for awhile and that the responsible officials of this government turn to the economists and come to grips with the economic realities. A political catch phrase is no substitute for an economic program. With an estimated 17% drop in gross national production from last year's level and a $30 billion drop in potential gross national product, I suggest that the political hucksters be sacrificed for the political economists.

- more -

These facts can no longer be dodged or denied. Within the past month there have been signs of a leveling off, but these factors in themselves are discouraging and dangerous because as a result of seasonal influences we should be spurting forward during these months and not just leveling off. The so-called leveling that has taken place today is a danger signal that we face more drastic declines tomorrow.

There is no inevitability about recession. There is no inevitability about the idle machines and the wasted man hours, the emotional pangs and anxieties. We can stop the recession and we can avoid a depression. We can do so, however, only if we recognize the danger signals and act -- not just talk -- to solve our problems.

A review of all our experience makes it clear that government cannot do the whole job. Under our traditions we would not want government to do the whole job, even if it could. Responsible free enterprise and responsible free government are both essential to our progress and well-being as a people. It is the responsibility of government, however, to take the initiative in restoring the economy to a fully healthful condition. Government leadership and sound government policies are an imperative priority. The longer these policies are delayed or postponed, the greater lag or time gap between the actual demand for goods and the full employment level on production, the harder the task of restoring full employment and production, and the more difficult it will become for business to do any part of the job.

Therefore, I call upon our government to undertake action which will not only correct the current economic dislocations, but even more important, action which will insure continuing economic growth for our nation and expanding economic opportunity for our citizens. The best way to help our business and to keep it free, competitive and progressive, is for business and government to join hands in helping to create the expanding markets which will enable business to expand. Only by maintaining a full economy can we really protect the American economic system from the hardships and the misfortunes which have propelled from some other peoples along the road towards the inflexibility and staleness of economies controlled and ordered from the top.

Let us start this analysis with the facts.

1) Production of goods and services is down $12 billion since last year. The country stands to lose nearly $30 billion as a result of this decline.

2) Wages and salaries of factory workers are down $6 billion in the past year.

3) Production jobs are down nearly 8 percent.

4) Total unemployment, counting involuntary part-time workers and temporary lay-offs is up to nearly 8 percent of the labor force.

5) The average work week is below 40 hours for the first time in four years.

6) Net income to farm operators is down 5 percent in the past year with further declines in prospect -- down 13% since 1951.

7) Retail sales of farm equipment and machinery is down 17 percent. The farm parity ration is down to 90% as compared to the monthly average of 100% in 1952.

8) Steel production is down 31% of capacity. This reflects the drop in the production of automobiles, farm machinery, electrical appliances and other durable goods as well as cutbacks in defense.

9) Business is planning to cut its annual rate of spending for new plants and tools by $2 billion less than last year.

10) Business failures during the first quarter of 1954 are up by 39% over the first quarter of 1953.

- more -

The April 21st report of Dun and Bradstreet on March Business Failures reads as follows:

> "The third monthly increase in a row lifted business failures to 1,102 in March, 19 percent above the February level. Failures were half again as numerous as a year ago and at the highest level for any month since May 1941.
>
> "Failures of automobile dealers reached a post-war peak, while more casualties occurred among furniture and appliance stores than in any other month on record."

While these declines in the economy take place, prices to the consumer remain sticky and hover around a record high. The latest figures I have show a consumer price index of 114.8 as compared to the all-time high of October 1953 of 115.4. This is a drop of only 6/10 of 1%.

These are statistics and most people consider statistics to be dull, but these statistics, my friends, spell nearly 3,500,000 unemployed people going around looking desperately for jobs. These figures mean an additional 1 1/2 million people only partially employed. This is not a depression, but it is an unfortunate tragedy to those directly affected. This is not a depression, but it is a hardship to millions of families in the cities and on the farms, and is doing serious injury to countless numbers of business enterprises of small and moderate size. This is not a depression, but it spells anxiety and useless economic and human waste.

Many economists tell us that full scale depressions are a thing of the past because of the built-in safeguards created by the New Deal and the Fair Deal. But be that as it may, there is no reason why millions of American families need to suffer the anxiety of small depressions or "healthy readjustments." There is no reason why millions of Americans in any year should suffer tens of billions of dollars of loss through non-production of goods and services which could contribute to an abundant life.

There is no reason why the American free enterprise economy which is the best economy in the world should not provide a full and abundant life for every man, woman and child in our society. This can be done through a partnership of government and business. This can be done if a responsible government will live up to its responsibilities.

These are the facts. Yet, to these facts some of the Administration spokesmen say that the economic decline so far is not severe, and that there is no cause for alarm or concern. But even if the facts are turned around so as to mean that the economic decline is not severe, or will not go much further, or is ready to level off, it is my considered opinion that there is real cause for alarm and a real need for our government to act.

It will give us little comfort to try to compare the current economic dip with the 1949 economic slump. Much has happened between 1949 and 1954. The large backlog of demand, our plant and machinery, housing, durable and semi-durable consumer goods that were present in the period from 1945 to 1950 no longer exist. For eight years, we have been filling the war created deficiency. Then, too, consumer debt was much lower five years ago, permitting a substantial increase in expenditures financed by consumer credit. Consumer debt is now at record levels in relation to income. To be sure, people hold now, as they have in all of the post-war years, large accumulated savings, but we must remember that over 40% of the American families have no savings. Thus, everything considered, the situation today is not fully comparable with either the immediate post-war period of 1945 to 1947, or the economic recession period of 1949. Add to this the sharp decline in government expenditures, the major effect of which will make its impact on the economy in 1955, and it is plain to see that the free economy standing by itself cannot be relied upon to generate adequate demand to absorb existing production, much less to create new productive capacity and new jobs. In short, the economy cannot

-more-

be relied upon to generate its own steam not aided by government. What I have said is underscored by the facts as presented in the recent economic report.

The great economic challenge we face is not a temporary one. The need to find jobs for American people is not just one that faces us today because of the decline in consumer purchasing power. The need to find jobs for the American people is one of the most serious economic problems we face because we are in the midst of a new and greater industrial revolution. To be satisfied as some Administration spokesmen seem to be because we have only suffered an economic decline which they say is "slight" is to be blind to the economic realities of the American system. Not only dare we not suffer a decline, but it would be an economic catastrophe if we were satisfied merely to level off at the current level of industrial activity. To be satisfied with merely maintaining existing levels of the economic activity neglects the first law of life of the dynamic American economy -- the law of growth. Growth is the essential part of our economic health. Growth is essential if we are not to suffer from economic stagnation.

Under ordinary circumstances the gain in American technology and productivity every year means that a worker and a farmer can produce more for every hour that he works. Each year, therefore, under normal circumstances we must find more jobs even if our population remains static. In recent years we have had the added complication of a growing population which means an ever-growing labor force and an ever-growing need to find still more jobs if our economy is to function fully. The economists say this means that our total national production ought to grow every year by about 4 percent in order to keep up with our needs. To merely stand still in our production records, therefore, is to be moving backwards. We must grow by 4 percent in order to stand still.

Now what does this mean in dollars and cents? Let's take the first quarter of 1953 and compare it to the first quarter of 1954. It means that in the first quarter of 1954 our total national product was at the annual rate of about $359 billion. This is to be compared with an annual rate of $364 billion a year ago -- or a decline of nearly $5 billion, or more than one percent. This is at a time when we should have grown by more than 4 percent. This means that we were about $20 billion short this year.

Now what does $20 billion short mean? It means an unemployment figure of 3½ million plus an additional under-employment figure of another million and a half. This means that unless we begin to do something quickly we may have 4½ million unemployed by the end of the year, and maybe 5½ million unemployed a year from now.

What else does this waste of $20 billion mean? It means enough wealth to replace two million slums with decent housing. It means enough wealth to cover more than 20 times the total cost of farm price supports from the very beginning of our farm price support program.

But even these figures do not tell the whole story. They tell us that we must grow and become stronger just to hold our own. But there is a second industrial revolution taking place in the United States presenting even greater problems that we must face.

Within the last few months I have had an opportunity to examine a number of newspaper stories from the <u>Wall Street Journal</u> and other business magazines. I have learned that we are on the threshhold of technological developments the like of which can drastically revolutionize American industry.

Let me give you a few illustrations:

1. Let us begin with a simple one and take the process of stuffing olives. It is today possible for one machine to pit an olive, slice the pimento into strips, pick up the strips, and stuff them into the olive at the rate of nearly 180 per minute.

2. It is now possible for a coal digging machine to drill, cut, blast, and load coal in a single operation, which will require only one-half as many men to work in the mines of the United States. It is estimated that by using these machines, coal mines can produce coal 10 to 15% cheaper than under present methods. One machine called the continuous coal mining machine, once it is set up underground, cuts and loads a mine car of coal in 1½ minutes. Under average working conditions, it takes one miner one-half day to do this job.

3. They have even gone to the point of developing a robot machine which performs the function of the human brain as another step in making man feel unnecessary.

Another brain computes one company's employment retirement program with a single operator in one week; the machine does the job that ordinarily would take four people three months.

4. The Wall Street Journal for September 25, 1953, reports one industrialist as saying: "In certain industries, such as petroleum refining and chemical processing, we may have automatic factories in only a few more years." The same article reports an expert as saying: "The average refinery which would employ 800 people without instrumentation would employ 12 people were instrumentation utilized to the fullest extent now possible."

5. A new automatic radio assembly is now ready to produce a thousand radios a day with only 2 workers needed to run the line. This production schedule would formerly require a labor force of 200.

6. The Wall Street Journal for March 23, 1954, reports as follows, after an interview with some of the automobile manufacturers: "When they are asked how many men the new machines can do the work of, auto company executives are inclined to shudder."

7. Even in small industry, the robots can work to displace workers. The Wall Street Journal for April 2, 1954, reports that a small midwest maker of aluminum cups now has a machine which needs only one part-time operator to do the work of 55 men with present machines. This saves the manufacturer 4¢ a cup, or $640.00 per 8-hour day. Yet, the machine costs only $60,000.

Another small business man is now using a machine which manufactures evaporating coils for air-conditioning equipment at the rate of 150 an hour, with one man at the controls. This compares with the rate of 50 an hour for 4 workers doing much of the task by hand. These machines cost anywhere from $7,000 to $11,000 each.

What does this mean? It does not mean that we are opposed to technological progress. It does mean, however, that we insist that the American Government and the American society take steps to meet the threat to working men and women implicit in these technological advances. This calls for imagination, planning, retraining, intelligent research for the proper use of leisure time, increased adult education, and a whole series of programs designed to adjust our society to our new industrial revolution.

These figures and these stories need not frighten us. They should challenge us. They should make clear to us the great potentialities for a more blessed and abundant life. These machines can be used to serve man and to free man. In order for that to take place, however, we need a constantly expanding economy. Instead of being adjusted backwards, our economy should be propelled forward.

I am not interested at the moment in trying to assess the blame for the mistakes of the past. You are well aware of the fact that since February 1953, I have been warning the American people and the American government that the "scarce money" -- "hard money" policy it was pursuing would lead to economic difficulties. I have been warning that the Administration's willingness to cut down the income of the farmer would have serious economic repercussions that would be felt throughout the economy. My colleagues and I have been protesting the many evidences of "false economy" which seem to have imprisoned the Administration in the rigid shackles of its contradictory campaign pledges to the American people.

-more-

Our economy is today failing to gear its production, price, wage and employment policies to the needs of an expanding economy. It is clear if we are to learn from the lessons of the past that neither private enterprise nor government alone can do the job. If we wait too long even the combined resources of private enterprise and government may not be able to swing the balance in time to avoid serious hardships, but if we act now to stimulate private investment and to stimulate government activity we can achieve full production and full employment.

Our first task is to increase consumer purchasing power. Present productive capacity has outstripped income consuming ability. The immediate job to be done is to stimulate sales through increased purchasing power. At the same time as we increase consumer spending which obviously stimulates business investment, we should also make every effort to increase business investment which will further create employment and stimulate consumption.

I know that there is a big argument as to which came first -- the chicken or the egg? As far as I am concerned, American enterprise and American government should set forth promptly and vigorously toward a balanced and coordinated program to raise both investment and consumption at the same time. But, the initiative must come from the government.

I. TAXATION:

The fiscal and tax policy of our government can be the most powerful and effective instrument for a stabilizing and expanding economy. Just as tax policy can be used to curb inflation, so it can be used and directed to counteract recession and deflation. We must learn the important lesson of a flexible fiscal policy. Tax laws should not be designed only for the purpose of obtaining revenue for the Federal Treasury. Tax laws, both in application and administration, must be constantly measured in terms of their desired effect upon the prevailing economic conditions.

The President's Economic Report took note of the importance of our tax and fiscal policy. The tax proposals designed to stimulate capital outlays on plant and equipment are indicative of the government's realization of the importance of tax policy as it relates to economic stability and growth. There is a strong case for accelerated depreciation, but may I suggest that such a proposal should be used to combat recession. The treasury proposal on accelerated depreciation will have the effect of intensifying the booms and the depressions. One could expect business firms to take advantage of accelerated depreciation during the years when profits are high, thereby reducing the tax liability. It appears to me that if accelerated depreciation is to produce added investment in capital plant it should be limited to the depressed years, or the years below normal business activity. In this manner it could serve as a stimulus to investment when most needed to promote stability and expansion.

It appears to me that the Administration tax proposal on accelerated depreciation is far too rigid for such a dynamic and volatile economy. It may well aggravate our problem rather than correct it. One of the other major tax incentive devices outlined by the Administration, apparently designed to stimulate business investment, is the so-called tax relief for stock holders. The Secretary of the Treasury in his testimony before the Joint Committee on the Economic Report argued that the so-called double taxation of dividends has resulted in industry being forced to raise almost three-fourths of its investment funds from borrowing. In other words, the sale of common stock dividend producing stock, according to the argument of the Secretary of the Treasury, has been retarded and depressed because of the so-called double taxation on dividends. The Secretary makes a strong argument, but in light of the facts of our economic history, his argument just does not stand the test of careful analysis.

In the six years from 1922 to 1927, years in which our tax laws were exceedingly favorable to corporations and stockholders, only 26% of new investment capital came from stock issues and approximately three-fourths of all capital came from borrowing. These figures are almost identical with the figures quoted by the Secretary for recent years. Despite all the changes in the tax laws, the much heavier corporate tax and personal income tax on both stockholders and corporations as compared to the 1920's, business investment practices have changed very little. The truth is that much of corporate business expansion is financed out of retained earnings. The ration of corporate debt to corporate assets today is much lower than in the 1920's, despite Secretary Humphrey's claim of the need for tax relief for corporation stockholders in order to stimulate business investment.

The reason is that corporate profits have been highly satisfactory, in fact, very high indeed. In the last eight years, we have invested over $240 billion in new producers' plant and equipment. Government tax policy has not curbed investment, nor has it curbed reasonable profits. In fact, both investment and profits have reached all-time highs during this period. It appears to me that what affects capital investment more than anything else is consumer demand, and it is the consumer demand picture that needs our careful consideration. It is purchasing power that needs to be increased and stimulated.

Therefore, we must channel Federal income tax reductions to lower income groups to stimulate consumer spending. This should be done by increasing personal income tax exemptions from $600 to $800 a dependent. This can also be done by lowering the rates of taxable income on lower income groups and further reducing excise taxes. It amused me, incidentally, to read recently an item in the Wall Street Journal to the effect that the Administration was expecting the excise tax reduction bill which Congress passed a few days ago to help meet the problem of recession. I was amused because I recalled that it was the Administration that opposed the passage of that bill in the Congress. Now, they are attempting to take credit for it.

These tax reductions for the lower income groups to increase consumer spending can take place without too much net cost to the Treasury by closing tax loopholes and thereby raising more than $4 billion which are today lost to the Federal government every year.

II. The second part of a full employment program must be to liberalize credit and lower interest rates by at least 1/4 to 1/2 percent on FHA and VA home loans, on crop support loans and farm housing loans, Export-Import Bank Loans and small business loans.

The tight-credit, hard-money policy inaugurated by the Eisenhower Administration in the winter of 1953 more than any other single factor is reponsible for the downturn in our economy. It set in motion economic forces that not only increased the cost to the taxpayer for managing the public debt -- an increased cost of approximately $300 million this year -- but also a substantial increase in the cost of financing of new construction, along with consumer and durable goods in private industry. This incredible fiscal blunder provided a bonanza for a few bankers and investment companies and a Pandora's box of trouble for thousands and thousands of small investors, businessmen, farmers and workers throughout the nation.

The best evidence as to the incredible foolishness of this tight-credit, hard-money policy is the now complete about-face of the Administration in promoting an easy-money, loose-credit policy.

I charge here today, as I have on the Senate floor again and again, that the Eisenhower Administration has committed one of the most tragic and collossal monetary and fiscal blunders of all time in its so-called re-financing program of the public debt. This one act threw the bond market into a topsy-turvey condition, upset the investment plans of thousands of business firms and state and local governments, and caused great uncertainty in the money and credit market.

III. Our government should begin to aceelerate a public workes program to provide schools, hospitals, health facilities, roads, water and sanitation works, airports, dams, irrigation, river and harbor development, a radar defense system, civil defense facilities and other similar projects.

IV. We need to build 2 million homes next year. The government should stimulate the construction of 135,000 units of low-cost public housing. It should also encourage low interest and long time credit, private construction, farm home construction, urban redevelopment and slum clearance.

-more-

V. An effective program for economic prosperity must restore farm income by maintaining price supports at levels no lower than last year. We need not worry about the accumulation of any food surplus resulting from such a program since there is no such thing as "surplus" when there are hungry people at home and abroad. We should instead use our imagination to effectively utilize our stores of food and more equitably distribute them.

VI. Minimum wages should be raised to at least a dollar an hour.

VII. Social security payments and old age assistance payments should be substantially increased.

VIII. We should provide unemployment insurance to meet the immediate hardships being faced by millions of Americans. This can be done by extending coverage, providing Federal reinsurance for states with low reserves and by establishing a Federal standard of payments which would guarantee a minimum of 50 percent of an individual's weekly wage when he is unemployed for a period of at least 39 weeks.

IX. We should increase social security benefits and expand its coverage so that our senior citizens may have some measures of economic security and stability when they can no longer participate in the working force.

X. Finally, an effective program for full employment and world prosperity would intensify world trade through reciprocal trade agreements, credit extension, investment and technical assistance.

This 10-point program is an essential program if we are to meet the needs today and tomorrow for the American people. It will cost money. Critics will say that we should not adopt the program simply because it does cost money. Such criticism is unwise and unreasonable. The cost of this program is but a small portion of the cost to the American people which would result from not adopting the program and facing the risk of economic hardship and dislocation. This is, indeed, a cheap investment for full employment.

The program I have just presented to you is a moderate but essential program to maintain economic stability. If our economic growth could be made to continue as it should we would achieve a $500 billion economy by 1960. What would this mean? This would mean the following to the American people:

70 million jobs.

A minimum $4,000 a year standard of living.

An overall increase of 40% in this nation's living standards.

An average weekly wage of $100 for production workers. (It is now a little more than $71 a week.)

An increase in farm production of 20 to 25%, with plenty of markets for the increased produttion.

An annual business investment rate of from 80 to 90 billion dollars, with annual corporate profits before taxes of about $55 billion. (Last year corporate profits, before taxes, were about $44 billion, and with lower tax rates in 1960, profits after taxes would be even greater.)

These goals can be realized. They will be realized if we show imagination, courage and willingness to face facts. They will be realized if we have a determined body of public opinion that demands full employment and the maximum utilization of our economic resources. They will be realized because there are groups like this conference meeting throughout the nation demanding action by their government. I congratulate you for holding the conference. I thank you for inviting me to participate in the conference.