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LABOR'S VIEW OF CURRENT U.S. ECONOMIC POLICY

Mr. Irving J. Bluestone

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Reviewed by Col R. W. Bergamyer, USAF on 21 November 1963.

INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D. C.
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Labor's View of Current U. S. Economic Policy

13 November 1963

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Reviewed by Col R. W. Bergamyer, USAF Date: 21 November 1963

Reporter: Albert C. Helder

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington 25, D. C.

LABOR'S VIEW OF CURRENT U. S. ECONOMIC POLICY

13 November 1963

GENERAL STOUGHTON: In furtherance of our custome here at the Industrial College to explore all major views of important national problems we'll hear today from a most knowledgeable representative of labor, Mr. Irving Bluestone, Assistant to Mr. Walter Reuther. His topic will be "Labor's View of Current U. S. Economic Policy.

Mr. Bluestone has been most helpful on two previous appearances here and I am most confident that he will be equally helpful to this year's class.

It's a pleasure to welcome Mr. Bluestone back and to present him to the Class of '64. Mr. Bluestone.

MR. BLUESTONE: General Stoughton; Gentlemen:

Two years ago when I accepted the invitation to appear before the Industrial College I happened to mention it to a management friend of mine. You know, we in labor do have friends in management. During the course of our conversation he said to me, in effect, "You know, with the tradition of conservatism in the military, as a labor representative you're going to get a chilly reception." As a matter of fact, in the course of our discussion he filled me with such misgivings that I became mindful of the story about the hotel telephone operator who late at night answered the switchboard and a voice came on asking, "Could you tell me when the hotel bar opens?" She said, "Yes sir, ten o'clock in the morning." The man hung up

About an hour later - at three or four in the morning - the switch-

board lit up again and she answered. The same voice came on, "Could you tell me, Miss, what time the bar opens in the morning?" The operator said, "I told you that earlier, at ten o'clock in the morning." This went on hour after hour, throughout the rest of the night. Each time, the voice sounded a little more inebriated; "Miss, could you tell me what time the bar opens in the morning?" She would tell him "ten o'clock."

About nine o'clock the Assistant Manager of the hotel came in making his rounds. He spoke to the telephone operator and asked her how things were. She said they were quiet except for one man who kept calling almost on the hour every hour asking when the bar would open and that he was somewhat annoying. As she was describing this the switchboard lit up again. She answered and here was our friend again asking about the time the bar would open.

The Assistant Manager said, "Let me talk to him," and he took the telephone. He said, "I understand you've been bothering our operator every hour on the hour wanting to know what time the bar opens. The operator told you that it opens at ten o'clock in the morning. It does, but you're not going to be allowed in." The voice answered, "I don't want in, I want to get out."

Well, suffice it to say that my misgivings foisted upon me by my management friend were very much misdirected and unfounded. I found, as a matter of fact, that on that occasion, and last year as well, I spent what was for me a very stimulating and provocative morning at the Industrial College, and therefore I looked forward with particular anticipation to the opportunity to speak with you again this morning.

The area of concern for today's discussion is so broad and so varied - so diverse - it would be impossible to cover it within the time allotted. And I am sure that if I were to take all the time necessary I would put every one of you to sleep anyway. But one thing that is of basic concern and which underlies the problems which face us in America today, is the fact that the pace of technological change is quickening at an accelerated rate.

We have learned over the years to achieve abundance. We have abundance at hand; yet we learn that there is a basic sense and a growing sense of insecurity among our people. Reading a tract not too long ago I learned that based upon research which has been done, it has been estimated that an infant born today will, by the age of ten, have witnessed such change in his society as did four generations of his forebears. This is representative of the speed with which change is taking place.

I think one of the best examples of this incredible and awesome rate of change in America is best viewed when we take a look at what is happening in the field of computer technology. IBM has developed computers which are currently in use - and, of course, Remington Rand, Philco, etc. have also been producing them - which carries an impulse cycle of 3/10 of a millionth of a second. Every 3/10 of a millionths of a second that computer can direct through its impulse cycle an action.

IBM currently has on the drawing boards with all of the bugs worked out - it's a matter now of putting it together - a computer with an im-

pulse cycle of three billionths of a second - 3/10 of a billionth of a second. Now, our current computers at 3/10 of a millionth of a second take up a good-sized room. I know this because we are attempting to install one now at Solidarity House, our union headquarters, and we found that we have had to find special space and then reinforce the floor in order to carry the computers that we are renting. We can't purchase them; we don't have that much money.

The new computer which has an impulse cycle of 3/10 of a billionth of a second will fit into a desk drawer. So that, today we are talking about 3/10 of a millionth of a second and tomorrow we'll be talking about 3/10 of a billionth of a second. Overnight we'll have increased our speed by 1,000 times. I think we would be kidding ourselves if we said that we could comprehend the speed of 3/10 of a billionth of a second.

Perhaps it could be put in better perspective in this fashion: If we could assume that we could build a ribbon of road from the City of Washington to the moon, and if we could assume further that a man could take one normal step each time such a computer carried an impulse, that man could walk to the moon and return from the moon to the City of Washington, and do it in far less than one second. Now, that is the kind of speed we are talking about.

What is happening in our office; what is happening in industry, is incalcuable in terms of changes which are taking place in the productive capacity of America. It's self-evident, of course, that in such a rapidly changing situation, in a society which is beset by problems

which result from this accelerated change, the problems will be severe, immediate and direct, and we must, of course, find new kinds of solutions to meet them. Now, these new solutions cannot be found by turning our backs on the 20th Century and marching stoutly into the 19th Century, as some national leaders who shall remain unnamed are advocating. But to find the solutions it would be best for us, at least, to comprehend what these problems are and the enormity of them.

Let me cite for you some of the factual statistical background concerning our present domestic economic situation. There is an imbalance in our economy which is growing. Many, many people are growing richer at the same time that more and more people fall into the poor category, people who live in poverty or destitution. Now, the imbalance is also evident in terms of the growth of our productive capacity and the extent to which we are using that capacity.

At the end of 1962, for instance, the capacity of our industrial productive facilities was 89% greater than it was in 1950. So that, in the 12-year period we increased the means by which we could produce, by 89%. Actually, however, output rose only by 46% during this period, which means, in effect, that 43% of the increased productive capacity is not being used in one form or another. And as a result, in terms of the total nation we find that at the end of 1962 about 20% of our productive capacity remains idle and unused. This is waste - economic waste, and it's lost to us in terms of the gross national product which could otherwise be produced.

Now, what happens when we do not use the capacity which we have?

Well, for one thing, we know that the production capacity will be used only at the point that there is demand for it. If there is insufficient demand it lies idle. And if we have idle machinery you can rest assured in our kind of economy we will have idle hands as well. At the same time that we have increased our capacity to produce we have increased the productivity of each of our workers. Obviously, if a computer is going to compute a thousand times faster than another computer, we're getting more production out of the worker who will be running that computer. What has happened, of course, is this; that during the past ten years our manufacturing production has increased by almost 28%, but the number of production workers needed for this increased production has declined by 1,638,000 or a reduction of almost 12%.

With about 12% fewer production workers we are putting out about 28% more product. Now, if we take into account the increases in while collar employment and in the service jobs we find, in fact, that the net reduction in manufacturing employment is closer to 800,000 than a figure of 1,600,000. The point, however, is that the production worker, the man who has been on the assembly line manning the machine has found his job disappearing and the number of new jobs being created in the white collar field - in the service field - these new jobs are not being created fast enough to take up the slack.

Now, the danger in such a situation, obviously, is not that the more efficient equipment has permitted a substantial increase in output per worker, because from our point of view, increases in productivity are absolutely essential if we are to improve our standard of living. And,

the labor movement in America favors and supports increased and improved technology for this reason. The danger lies in the fact that because of our failure to gear our economy to the potentialities of this new abundance which we are able to create. Increase in productivity tends to aggravate our unemployment situation by making jobs disappear faster than we are able to create them. In the industry the union which I represent - the UAW - works, we have a markedly more difficult problem in terms of the potentialities for productivity and the number of people used for this increased production. I would like to cite some figures with regard to this problem.

In 1947, the year when the automobile industry was booming because of the lack of commercial product on the market during the war years, we produced 4,793,000 cars and trucks in America. In that year it took 662,400 production workers to produce 4,793,000 cars and trucks. For the year 1962 we produced 8,188,000 cars and trucks, an increase of almost 71% over 1947. That production was performed by only 558,600 production workers, a decline of almost 11%. So that, here with the decline in employment of 11% in production worker employment we were producing almost 71% more product. Obviously, this creates the basis for our unemployment problem.

This is not only typical of the auto industry; the steel industry has been hit even harder than the automobile industry. Surprisingly enough, the very industry which is creating the new technology - the electrical and electronics industry - has not created as many jobs as one might think commensurate with the amount of increased productivity

coming out of that industry.

I don't have the figures ready at hand, but I do know that the number of new jobs that have been created by no means is in the same proportion as the increased productivity coming out of the building of the computers in the electronics industry. Well, if we take the fact that production capability has been increasing; that we are not using our full capacity; if we derive from that the fact that our technological progress has been killing off jobs faster than we are creating them, it's little wonder that in the Year 1963, after as much effort as has been put into building our economy we still are troubled with an unemployment figure of about 5.4 to 5.6%.

There are economists who, in studying our employment situation, have found that the 5.4% figure is a low figure. Why? For this reason; it does not take into acccount the number of people in America who are only part-time employed. A part-time employed person is not counted as an unemployed person, and yet, one who is only part-time employed is receiving only a part-time check and not a full check. The figure does not include the number of workers who have been dropped out of the labor market. How often has it occurred in this country where father and son both are employable, and the father, now in his late 40s finds in tramping around from place to place that there are no jobs available for him.

The son, happily and fortunately, does have a job. The father at some point just gives up and decides there is no sense looking any further and therefore he drops out of the labor market. He is not counted as one of the unemployed. As a result, there are notable economists in

America who say that the true unemployment figure here is closer to 7.7% than it is to 5.4%.

To bring this home I would like to recite to you some comments made by workers for the Chrysler Corporation, who had been laid off for two and three years during the period when the automobile industry was in the doldrums, and when the Chrysler Corporation in particular was in the doldrums. We have the happy circumstance in the City of Detroit that for the first time since 1957 there are no Chrysler people on layoff carrying seniority. It was only three weeks ago that the last person on layoff with seniority was brought back to work and he had been laid off for in excess of three years.

But liston to the comments of some of the people who have recently been brought back to work. The Detroit newspapers hailed the fact that finally we have no more people with seniority on layoff at Chrysler. I was much more struck with the comments of these various people. Here is one. The newspaper item says, "Theirs" - meaning those who have now been returned to work after years of layoff - "is a story of hope renewed by a simple summons to work. It carries over to union officials and merchants who, in many respects, rise or fall with them.

"Kutonis, one of the workers returned, 43 years of age, had been idle for two years before his recall. He is now quoted, 'I got to figuring that I had just plain had it; that the only thing left was to apply for welfare, something I thought I would never do. I tried everything. A couple times I got a few days work with a City Cleanup Crew. I worked one Christmas as a substitute mail carrier. There were two months in a

tool and die shop. I borrowed from my brother and my father, but as time goes by you just get weighed down with the hopelessness of it. You think of your wife and kids' - two daughters is what he has - 'you consider you've failed them even if they don't say so. You feel like a useless human being. You get pretty bitter. You blame the company, you blame the union, you blame everybody even though you don't know why. Then that call to work comes and there is hope again. I've got self-respect again. I just pray it lasts.'"

This obviously is spoken from the heart by a man who after two years of layoff finally is returned to work. It's impossible for us to understand and appreciate what it means to the individual who is caught in the mess of unemployment. Our unemployed numbers today include about 900,000 who are what we call long-term unemployed, those who have been unemployed for 15 weeks or longer. And then, of course, we have that large army of unemployed of approximately 800,000 who have just given up looking for jobs.

In this country, the most affluent in the world, we have a growing problem of poverty and deprivation. We must look at it, appreciate it, comprehend it, and do something about it before it reaches proportions too big for us to handle. Studies have indicated that poverty in America, in this affluent society of ours, has reached the extent that 10½ million families are living on less than an income of $4,000, in a country where Department of Labor statistics indicate that a minimum of $6,000 is needed to sustain a family on a low and minimal standard of living. Four million of our unattached people - those who are not married - are living

on incomes of less than $2,000 a year. All together, 38 million people - approximately 1/5 of our nation - are living in poverty.

Our poverty and our unemployment figures do not stretch across the entire warp of our society. This is why perhaps there isn't sufficient highlighting of this basic problem that besets us. It has become a matter of class unemployment and class poverty. The Negroes in America, for instance, are unemployed to the extent of twice the proportion of whites. Negro youngsters, kids between the ages of 17 and 25 cannot find work. And today just under 30% of our Negro youth are unemployed.

In the depths of the depression in 1933 we had no more than 30% unemployed on the average. And the social dynamite that is on our doorstep, when a figure of 30% of a particular group of our young people cannot find jobs, is the kind of dynamite that we had better not set a fuse to. For youth generally in America unemployment is twice as high as the average for the nation, which means again that we are losing the productive capacity, the productive economic factor which is represented by the idleness of young people who in the years ahead are supposed to take over the leadership of our country.

The needs that we have for a country of abundance are enormous and we are not fulfilling the needs. In the field of education alone we have to have to build 500,000 classrooms in the next four years in order to take care of our rising enrollment of pupils. Now, already they are housed in over-crowded schools. And yet, in addition to that we have a population explosion which, in the years ahead, must be met in terms of education if we are to remain a leader on the world scene.

Health needs? With all the effort that has been put into our insurance programs on a private basis, only 25% of the health bill of America is carried through health insurance programs. 75% comes out-of-pocket direct. And we have today a shortage of well over a million hospital and nursing home beds which we are not producing.

Housing? The Census Bureau reports that over 16 million homes are either dilapidated, substandard, or over-crowded. To reduce this backlog and provide homes for a growing population we would have to build an average of 2.4 million homes per year. We are not reaching anywhere near that figure.

Urban renewal? I don't think you have to go far. All you have to do is look at the slums of Washington, D. C. to know the extent of this problem, and to know as well the social ills which slums can breed. We need a tremendous and overwhelming urban renewal program in this country. And yet it's moving at a snail's pace. I could go on and on and on talking about the basic needs of America which are not being met.

And when we talk about these needs we must remember that we are not filling them because we are not growing fast enough in our economic life. We have tried to estimate what the losses have been in America by reason of the fact that our economic growth-rate has been lagging. Immediately following the last war our economic growth averaged somewhere close to 5% per year. In the past 12 years it has been averaging closer to 2.7%. We have made an estimate of what would have happened in America had we maintained a 5% growth rate instead of declining to 2.7%.

We find that in that particular period since 1953, a period of

approximately 10 or 11 years, we have lost for the American citizens about $600 billion in output; $600 billion in output that we have just thrown away because we haven't planned for that kind of economy which would give us a full employment full production economy. What does this mean in terms of people? We could have given to every single family in America an additional $13,400 with the money that we threw away because we didn't produce.

Can you imagine what stimulus there would be given to the industrial complex of America if every family in America had an additional $13,400 to spend in the past ten years? This is the kind of money which would have been spent; it would not have been salted away in a bank or put into a little envelope and hidden under one's mattress. It would have bought more shoes, more refrigerators, more radios and more automobiles, and it would have stimulated the economy with the extra purchasing power which it would have meant. Even if we had not put this money directly into the hands of our citizens, if we had just used the money to spend for socially useful things we could have done all of these things.

We could have doubled our social security benefits to the older people in the same proportion to the population as they have to date. In addition to that we could have built nine million additional homes, each worth $15,000. Then, on top of that we could have built 1,000 hospitals, each equipped with 900 beds. We could have doubled our expenditures on highway construction. We could have doubled our expenditures on sewer, water and miscellaneous public service facilities. In addition to that we could have doubled our expenditures on conservation and development. We could

have built an additional 400,000 classrooms for our kids. We could have raised the salary of every single teacher in America by $1,500 in each of these years. We could have given three million scholarships to worthy students, each worth $2,000 for every year of the ten years. In addition to that we could have increased our foreign aid expenditures to help the underdeveloped nations so that as they grow they will become markets for our product by about $6 billion each year. All this we could have done had we only had the sense to realize that we should have used the full productive capacity which is ours.

What do these facts mean in terms of the problems that face America? What do these facts mean in terms of the problems that face people such as myself, who represent the labor movement and who have a feeling and desire to see to it that progress is made for workers only as progress is made for the community as a whole? The labor movement itself must be, if it's to survive, a social responsible instrument. It cannot think of itself only in terms of the workers it represents. The labor movement, if it's to be successful, must be responsible to the total community, and in the ultimate, to the world as a whole.

Well, what can the labor movement do to meet some of these needs - some of these problems? What sort of solutions can it find? It's a fact in America that the collective bargaining process is a much more complex business than it is, for instance, in Western and industrialized Europe. In Europe they don't bargain about pension systems or severance pay, or vacation pay, or health medical care, or supplementary unemployment insurance. These things are taken care of by the government, through

legislation, in free enterprise countries which have a democratic base. But here these matters are left to collective bargaining. As a result, the burden on collective bargaining has been growing by leaps and bounds.

Yesterday I was in a meeting with the Ford Motor Company. We were talking in our joint study committee which has been estabi ished in preparation for our negotiations next year, about health medical care and about pensions. We were talking about these in the most technical terms. Had someone said to me about 20 years ago that I would be talking with the Ford Motor Company about the detailed technicalities of health medical care, of pension systems and supplementary unemployment benefits - and by the way, the language of that is such that only experts can understand it - I would have said, "You're crazy; these things just aren't part of the collective bargaining arena." But they are in and they'll continue to be.

Now, collective bargaining can handle some things. But it cannot find solutions to national problems. Take this whole question of finding more employment opportunities - creating jobs. We have been piddling around with all kinds of experiments in collective bargaining, to find a solution to it. The Packing House Workers and the Armor Company, for instance, about five years ago came up with an idea where money would be set aside in a fund and as automation knocked off the jobs of the workers, the money from this fund would be used to retrain workers for other jobs.

This year they made their report. It was a total failure. Fewer than 2% of the workers were able to benefit from the program. Some of

them were totally unretrainable because they didn't have the basic educational rudiments necessary. Others were retrained and then there were no jobs available to go to. As a result, they have all but abandoned the program. Attempts have been made in the steel industry and in the aluminum industry to find a solution to this. Attempts have been made on the docks on the West Coast to meet the problem of automation by creating new jobs in another area. But let us assume that a union such as ours - the Auto Workers - is able in 1964 to develop a program whereby we can create some jobs.

Well, how would we do this? You can create jobs by reducing work-time. You can reduce work-time by reducing the work-week. But that is not the only way you can reduce work-time, by reducing the life-span of a man's work; by having him retire earlier or enter the labor force later; you can reduce work-time over the year by having longer vacations or more holidays. You can create jobs merely by eliminating overtime. There are over 600,000 jobs in America which could have been created for idle workers had we not worked overtime and hired new people to perform the work. These are various ways in which we could create job opportunities.

Suppose that in 1964 we are successful in the auto industry in moving in this area. Well, perhaps we'll create a minimum of jobs in the automobile industry, but what happens then in the electrical industry, and the steel industry, and the furniture industry, and the textile industry, and in industry all over this country, where similar kinds of programs and policies are not adopted, where perhaps the union isn't strong enough; where, perhaps, the resistance by the companies is too much for them to

muster. It would mean that we would have products here, there and the other place, of a temporary solution to a problem in a particular geographic location.

But, we will not have solved the basic national problem of growing poverty and growing unemployment. We will not have solved the basic national problem of using the full capacity of our production facilities. We will not have solved the basic national problem of seeing to it that we have a full production economy and a full employment economy as is promised in the Full Employment Act of 1946. At the very best, collective bargaining can scratch at the surface. It can tickle it a little bit, but it cannot find the national solution to what are essentially national economic problems.

As a result, you will find that the labor movement will be moving as never before into the political arena and the legislative arena, because, only through legislative action in Congress is it possible to solve national problems of these dimensions and this scope.

In our union we have looked long and hard at what is happening in some of the European countries which are on the wave of tremendous prosperity. I talked with a neighbor of mine yesterday before coming down to Washington, who had just returned from Germany, visiting with his family. In Germany today there are approximately two million workers who come from foreign countries - foreign to them; France and Italy particularly, but as far away as Turkey - working on a temporary basis in order to meet the labor shortage problems that Germany faces. They are on the wave of huge and untold economic prosperity right now and they don't see any end to it particularly.

France today doesn't have the productive capacity or the productive knowhow of an American,or a German for that matter, but their unemployment figure is under 1%. Even England, which certainly is far behind the parade in terms of technological advance, suffers an unemployment figure of less than 2%. And two years ago, during the period of the conservative government when unemployment reached a little over 2%, they almost had an overturn in the government and within a matter of days Parliament had reduced taxes in order to get a better flow of purchasing power into the hands of the British people.

We have been arguing about tax reductions now for weeks and weeks, and I understand, based upon some comments made yesterday by some Senators, that it won't be before March 15th that they will get around to taking any action, if any, at all. We think that if we are to meet these problems, which will be accelerated, which will be growing larger rather than smaller, it is absolutely essential that we gear our productive capacity and our resources to the needs of the nation. There is only one way to do this and that is by planning it.

Every corporation that is worth its salt has a planning department of some kind, to see what is ahead and to determine what kind of new product may be necessary; what changes may be needed, in order to see to it that the resources of the company can meet the needs which lie ahead. We ought to be doing this in government. We operate on a sort of haphazard basis. Today we have no idea of what is happening in our technology. General Motors can tell you what it's going to do in terms of the introduction of automated equipment next year or the year after.

And perhaps GE can do it, and isolated companies here, there and the other place may be able to do it. But is there anybody in the United States of America who actually knows what is happening in the field of automation; what kinds of new products will come into being; which jobs will be eliminated; what skills will be required; what geographic locations these skills will be needed in? No one knows this.

And we have a little department, comprising a handful of people in the Department of Labor, which is attempting to pull together, information concerning this, but they don't have the legal power to request this information and obtain it from the only sources that have it, namely industry, commerce, finance, and so on. And so, we're not even getting the facts on the basis of which we can make determinations as to the nature and direction of our economy.

For anyone to believe that we can in this day and age with the kind of technological change and the rapidity with which it is taking place; if there is anyone who believes that we can allow the American economy to be guided by the blind forces of the market-place, then I think he is missing the boat in terms of the needs of this decade.

One of the problems, I think, with the thoughts of Senator Goldwater and his like, is that there is a failure to recognize that we are in a different society and a different world, and that it's changing faster than we are able to keep up with it. If we are going to meet this problem we are going to have to do in government what the big companies do in free enterprise. And that is to plan; to match our resources to our needs; and to do this we must know what our resources are.

We must know what our needs are and then work to see that one fits the other.

This is what they're doing in France; this is what they're doing in Sweden; in free enterprise and free democratic societies. Essential to meeting our problems is the need to increase purchasing power. The whole purpose of the President's program for tax reduction - and in labor we have some disagreements in the distribution of that tax reduction program of his - but, the whole emphasis is to increase purchasing power. Because, essentially, the way you get a demand for more product is to have money in the hands of people who will spend it.

Low income people will spend money as fast as it comes in because then you have high-velocity purchasing dollars. Henry Ford, I am sure, will buy no more hamburger, and no more shoes, and no more refrigerators, if he gets another hundred thousand dollars increase in his income by reason of tax reduction. But the person who today is earning $6,000 a year, is going to spend every single penny that he gets, in increased income by reason of tax reduction. And at the point that he spends that money he is oiling the wheels of industry, by creating more demand. This is the basic purpose of the tax reduction program; an attempt to increase purchasing power.

Now, purchasing power can be increased by increasing wages. This is one basic reason why labor wants to maintain a high wage in all of the industries of America; so that there is the power of purchase in the pockets of workers. And you must remember that the greatest demand comes from the wages which workers earn. The government can do a great many things in this area, aside from reducing taxes.

In countries such as Sweden they set aside public works programs and put them on the shelf in case there should be a recession, so that they can get purchasing power back into the economy and start the wheels of industry moving again. We are doing much too little for our older people.

Today 17 million of our citizens are over 65 years of age. By 1970 it will be 30 million. We are quibbling about how to take care of their health needs. On a minimal program which, if it were passed today, it would really have very, very little meaning in terms of the total needs of our older people. And perhaps the test of a democratic society is what that society does for its older people who are too old to work and yet too young to die. And what that society does for its young people.

Look at the tremendous arguments in our Congress about creating a handful of jobs for our young people; people who are supposed to take over the leadership of this country in the next 10 and 15 years, and who cannot find jobs either because they have dropped out of school or because the jobs aren't available after they get out of school. We're doing so pitifully little in order to meet this problem.

Essentially in terms of our domestic economy it's our feeling that the problems are greater, more complex, more varied, more diverse, and deeper than ever in the history of America. They are massive problems, and massive problems require massive solutions. Now, men of little faith may be fearful; they may be reluctant to face the reality of these problems. That is why, perhaps, we move so very slowly in trying to meet them. Instead of moving in on the youth problem we tickle it. Instead

of moving in on the problem of the older people we tickle it. We're not moving in on the basis of a massive approach to meet the problem.

Now, strangely enough, what we are doing today, in my opinion, at least, is directly contradictory to the basic American heritage which we have. Because, the American heritage, if we look at it through the past 300 years, would indicate that our people as a nation hail our new frontiers; they embrace them and then they master them. And they don't do this just by tickling its under-belly. In past years they have met it on a massive basis just as they did in settling the new frontiers of the Middle West and then the Far West. And we need today more of this kind of American heritage, but in 20th Century dress, where we talk less about being afraid to mount a major offensive against the problems of our present 20th Century economy; where we talk more about mounting a major offensive against our unemployment problem; against poverty; and against our low economic rate of growth. And where we will march vigorously - to use a much over-used word - where we will march vigorously toward the harnessing of our abundance to meet these basic human problems.

The whole purpose of economics is not just to make a profit; the purpose of economics is to meet the problems of people; that is the end result. And if we set our eye only on the profit figure without realizing that it's that profit which should be directed toward the solving of human problems, then we will have failed in our society. For, only as we succeed in solving the problems of people; in solving the problems of the poor; of the deprived; of the young; of the old; and of those

who are in the prime of their life, can we really fulfill the American heritage and the American promise.

Thank you.

QUESTION: Mr. Bluestone, I wonder if you would comment on labor's responsibility for nationally increasing unemployment through overpricing its product, namely labor. I am speaking to the specific example such as the coal miners, where people are unemployed in this country and not in other countries; where it is uneconomical now to mine coal; and even in Washington, D. C. - the colored situation which we are talking about - where most of these people could work if they would work at the wage which is offered and not at the wage which they think they are worth?

MR. BLUESTONE: Well, let me take exception first of all to the use of the word "product" for labor. Labor is not a product and we don't buy it like a pound of butter or a pair of shoes. The entire tradition in America expounds that labor is represented by human beings and they must be treated as human beings and not like a pound of butter.

Now, with that comment let me try to answer your question. I disagree that labor is pricing itself out of the market. Our problem is not in labor costs. There are some areas where there is competition from foreign imports based upon the labor cost problem, and I will deal with that in a moment. But do you know that the sickest industries in America happen to be industries where labor is weakest and where wages are lowest?

The furniture industry has an extremely weak union. Wages are terribly low. You can go down to North Carolina where there is a conglomeration of furniture factories and find the workers still working - well, they used to work for $1.05 an hour; now under the minimum wage law they get more.

The textile industry is another one where labor is comparatively weak. Wages are very low, but the industry is sick. It's not a fact that wages being high means a poor competitive position. I think that automobiles - one which I know about more than most industries - is a typical example. We have comparatively high wages in the automobile industry. Today our average hourly income is about $3 per hour. And, of course, there are fringe benefits on top of that, amounting to about 60¢ an hour. By comparison with American and European industry this is a high wage.

But the American automobile industry can compete if it wants to. In 1953 our union urged the automobile industry to come out with smaller cars. If you will recall, this was the period when cars were getting longer and longer and bigger and bigger and chromier and chromier. And they were putting all sorts of extras into the automobiles because they insisted that the American public wanted apartment houses to ride in rather than automobiles. They told us that they didn't have to bother about meeting import competition because they knew that the American public wouldn't go for that kind of automobile.

Then American Motors came out with the Rambler and the Rambler caught on because that is what the American public wanted. It was able

to compete with the foreign market and started pulling business away from Ford, Plymouth and Chevrolet. Within two years the auto industry then began to come out on a wholesale basis with cars - the word "compact" is a sort of over-used term - but they came out with compact cars and immediately you could see the import market drop. So that, today the number of imports in the automobile industry is even below what it was in the '20s and '30s.

Now, this was simply a matter of competing on a basis which met the needs and the desires of people in a high-wage industry. There are some industries where labor cost is a factor. And it's a factor primarily in relation to foreign competition. There aren't many, because our balance of trade is still running about $5 billion in the black. But there are some - in the electronics industry a little bit; radios; TV sets; and that kind of thing.

The steel industry screams about importing barbed wire from Europe rather than building it here. But that problem is a difficult kind of problem. We do not agree that we should lower the standard of living of the American worker and reduce his purchasing power so that he can't buy back the things that we are able to produce and therefore start a spiral downward in order to meet the problem of foreign competition. Rather, the way to handle that is to find a way to increase the standard of living of workers abroad - and their wages - so that those countries will become open markets for our product at the same time that we will reduce the competition in labor costs.

We have advocated, therefore, the establishment of what is called

"International Fair Labor Standards." And this, in effect, would mean that there must be a guarantee in these countries which are competing with us on the foreign market, or attempting to get exports into our country - there must be a guarantee that the workers in those countries will receive a greater share of the productive wealth of that nation. And that, as productivity increases and economic growth takes place, their workers will share more than they have in the past, in that growth. We have not yet been able to accomplish it, but let's take a look at some of the figures.

In the United States for the past three years wage increases have lagged behind productivity growth - productivity increases - so that, we have been producing more per individual than is reflected proportionately in the wage increase. Now, this should have brought a reduction in price; it hasn't. It has just meant an increase in profit because they have not reduced prices even though labor costs have been reduced. And secondly, one must keep in mind that it's not the hourly pay that a man receives that determines labor cost; it's the per unit cost based upon his productivity. And if a man is getting $3 an hour but he has high productivity, the per unit cost can be a lot cheaper than the man who is getting a dollar an hour with low productivity. This is the strength of the American technology and the American economy.

Well, in Germany, while we in the United States have lagged behind in productivity increases, they have had wage increases. In Germany, half the wage increases earned by the metal workers was 9%; ours was a little short of 3%. In Japan where we have firms, competition in some areas,

although, believe me, the Japanese industrialists have been crying to their country to raise tariffs to keep the American product out because Japan buys more goods from America than America buys from Japan, wages have been increasing at a far more rapid rate than they have in the United States. This is true in France. It is true in Italy, which is the weakest of the Western European industrial countries. And it's even true in England without necessarily having inflationary factors emerge.

The point is that if you go back to the past ten years you will find that wages in America have not been rising nearly as rapidly as they have in these competing countries; with the result that there has been a gradual narrowing of the gap in terms of the labor cost competitive factor. And then if you add the fringe benefit costs as they apply in European countries you will find that invariably there is a higher proportion of the gross national product which is spent in services in order to meet fringe benefits, than there are in America, because these are established legislatively and they do a better job. Their health insurance is far better than ours in most of their countries.

Their unemployment insurance is far better than ours, proportionately to their income. Their social security is better than ours proportionate to their income. Their expenditures on housing; on road building, etc., are all higher than ours proportionate to income; and so, this gap has been narrowing. And I would take strong issue with the claim that in the overall, though there may be spots here and there and in the other place; that overall American labor is pricing itself out of its product. Quite the contrary; if we reduced wages today across-the-board in Ameri-

ca, we would have the worst recession that we've had since the last war ended, and we've had four bad ones already.

QUESTION: You have indicated that you're in favor of GNP growth. In other words, a bigger pie for everybody. On the other hand, you have also indicated that part of our problem is the allocation of resources to specific sectors. Which of the two are you opting for, or are you opting for both? And how would you achieve it?

MR. BLUESTONE: Other than pure, vigorous action we are opting for both, obviously. I stated earlier that one of our problems is that we don't know where we are going and we don't have the facts to determine what route we should take. We do need national planning. This is not a dirty word and it's not a socialistic term. We need national planning in the same way that a company has to plan its business.

There is a National Planning Board in France which determines the nature of the economy; its resources, its needs; and then moves in the direction, by law and administrative regulation, to see to it that the national economy is moved forward. And they have been successful doing this. Let me give you a simple example. In England there is a law which says that a company may not locate in a given area except as it gets a license to do so. And the license will not be granted if the company wants to locate in an area where there is already a labor shortage. The inducement is to move into an area where there is a labor surplus so that in establishing a new plant there would be the opportunity to pick up the unemployed in that area and put them to work.

Well, General Motors has a plant in England. General Motors applies itself to that law, with no problem. If it's raised here we say we are

interfering with the free enterprise system and that we have creeping socialism. We mean specific kinds of programs which we have advocated in order to build gross national product and in order to see that there is sufficient purchasing power along the lines which I suggested in my earlier talk. No. 1, we are in favor of the President's program on tax reduction. As I said, we have some dispute with him as to who is getting the money, but we are in favor of it because every single dollar that is put into purchasing power ends up as approximately five dollars in gross national product.

There is a compounding factor which the economists say is built into this kind of purchasing power. We are in favor of increasing social security benefits to older people, and this we can afford to do based upon our current reserves. Why? Because, if an older person is going to get $2 a month more today than he is getting in social security, do you think he is going to put it under his pillow? Or is he going to spend it on the things that he needs to buy that he is not buying today; at the point that he is going to buy an extra pair of shoes; at the point 100,000 people on social security are going to buy each an extra pair of shoes we've got so many more jobs created and so much more profit to industry.

We are in favor of getting a federal law across the board which would set minimum standards on unemployment compensation. Why? Not only because it would give workers in Georgia a better benefit, or a benefit more equal to that which is received in Michigan, but of equal importance, to get money into the hands of unemployed people is to create purchasing

power which would not otherwise be created. And we can afford to do this.

Now, there are many programs which we advocate in a specific concrete fashion in order to build purchasing power by way of building security into the economy. And perhaps the best way to put it is this; we have avoided a great depression in America as we saw in the 1930s, not because of the free enterprise system working in the area of the blind forces of the market place. We have avoided it because in the 1930s we had the wisdom to underpin our economy with basic securities.

Before 1930 if a man was out of work he had no income, and he became a dreg upon the economy. Maybe he got some hand-outs and that was the end of it. Since the 1930s he has a minimum of income which maintains purchasing power in the community in which he lives. Before 1930 a person who retired or became too old to work and yet too young to die, but left the industrial complex, either lived on what he was able to save, which was meager enough, or else he lived on his son or daughter, or went to welfare. Today he has some underpinning in social security.

Well, if you take the things we have done in terms of social insurance for America you find we have not only helped people, we have helped our economy. So that, when we have gone into a tailspin, as we have four times since the last World War, we have found that there has been sufficient strength built into the economy through the purchasing power maintained by our legislation, to avoid a further down-spin. In the 1958 recession it was estimated by Sumner Schlichter that we fed $10 billion into the economy which would not have been fed into the economy

had we not had this social legislation.

$10 billion is an enormous amount of money when it is compounded in terms of purchasing power to act as an underpinning to the economy itself. Now, these are the kinds of things which we think are necessary. And we do not believe that we can maintain a full production, full employment economy merely by giving and giving and giving money in terms of tax rebates to the industries which don't need it in order to expand. There are some which need to revive themselves and purchase new equipment, but there are many, many which don't.

One reason that we are opposed to some aspects of Mr. Kennedy's tax reduction program is this; a certain amount of that money - more than we think is necessary - is going to go to firms like General Motors, Ford, General Truck, U. S. Steel, etc. Now, the argument is that they need this money in order to renew their facilities and to expand.

Well, General Motors I know a little about. Currently, General Motors has $1,800,000,000 in idle money savings - cash. It's salted away in governments at 2%. They don't even know what to do with that money. They have got all the capacity they need and they are not using it. They're afraid to move, as with other industry product, because the Department of Justice is looking over their shoulder. So, it just lies there useless. Well, do you think they need a rebate from the United States Government in order to invest more when they've got almost $2 billion already that they don't know what to do with?

Now, General Motors is unusual, but there are many many companies in this category. And this is why we say if you are going to have a

tax reduction program, give it to the people who today can use that money to buy things with now. That will stimulate the economy.

QUESTION: Do the United Auto Workers have an investment portfolio, and if so, in what major areas do you plan to invest?

MR. BLUESTONE: We have an investment portfolio. I'm not the Secretary-Treasurer of the union and therefore I can't answer that question in detail. We have very little money in our general fund. We don't believe in saving money; we think that money in the labor movement should be used for socially useful ends. But we do have a sizeable strike fund. This is our security fund. It borders now close to $60 million. It sounds like a lot of money, but if we had a strike at General Motors it would be used up in less than three weeks because General Motors is now a big operator.

Now, we invest our money. We have some of it invested through mutual funds. We have a good deal of it invested in government bonds. We have some invested in General Motors Acceptance Corporation - and GM always smiles benignly when we tell them this. This is a good interest-bearing investment. We have refrained, however, from investing the money directly in any companies with which we have contracts.

Now, I don't know all of the investment portfolio, but we do the best we can in order to get an interest and dividend return. And may I say, because I smell something in your question, that labor is very, very interested in high-profit industry and in seeing that industry is profitable. It's the damndest thing to have to sit at the bargaining table with a company that is losing money every day - I shouldn't say

every day; but every year. We sit at the bargaining tables and we make adjustments. But these never get the headlines; it's only the strikes that get the headlines. But we make adjustments in order to help companies get out of the red. We've done this time and time again, and we've done it with some big companies like American Motors and Studebaker. But it's so pleasurable, really, to sit opposite General Motors representatives and never have to worry about the fact that they don't have money. They've always got money.

As a result, we advocate good, sound profitable institutions under the free enterprise system. We think, however, that we can make industry more profitable if we have full production and full employment, and if we quit just snivelling around the edges of an economy which is only moving at the rate of 2.7% per year. We think that if we can get higher purchasing power there will be greater demand for goods. And if there is greater demand for goods there are more orders. And if there are more orders the wheels of production start turning and people go back to work and profits go higher.

So, we want good, sound, profitable institutions, and we think the way to get them is simply by seeing to it that we do those things necessary in our private sector and our public sector, which will guarantee full employment and full production. By the way, this is the promise of our law under the Full Employment Act of 1946. It's a law which has never been used. It's brand, spanking new. It's now 17 years old and it has never been used. And all we're saying is, "Let's get down to work and use it."

QUESTION: Do you feel that the economy would be better stimulated through increased government spending rather than through the tax reductions proposed?

MR. BLUESTONE: That question is just a little bit like, "When did you stop beating your wife?" We think that there are combinations necessary to increase purchasing power. Now, purchasing power stems, essentially, from these areas; there is the consuming power of the salary and wage earner. There is the consuming power of government spending. There is the consuming power of industry. And then, of course, there is the consuming power that comes with services - rents, etc.

We think it is absolutely essential that we look at all of these areas in order to increase our purchasing power and in order to stimulate the economy. Government spending should be increased at the point that it is needed. We should not have government spending for the sake of government spending. If we had a full employment economy today our tax revenues would be sufficiently high that we could do a lot of things we are not doing. And those things should be done only to meet needs which aren't being handled by the private sector.

Private industry doesn't build classrooms; government does. It's either going to be federal government or local government, or both. Private industry does not build roads; government does. And it's going to be local government or federal government, or both. And so, there are areas of need which are essentially met by government spending. Extra government spending such as that necessary for public works programs should come into being only at that point that it's necessary to stimu-

late the economy.

We would much prefer to see that government spending is used to meet these needs; such as the social need of hospitalization and hospitals; the social need of road-building; the social need of seeing that unemployed workers have more income at the point that they are laid off at the same time that we increase purchasing power in the hands of the people who will be spending it,either through income tax reduction, or some other means. But we should move on all of these simultaneously to fit the needs.

And this brings me to the problem that I have been advocating all morning; you don't know how to do this until you know what your resources are; until you know what your needs are; and then you fit your resources to meet your needs, through necessary legislation and administrative regulation. And if we are going to determine how much is needed in government spending at a given time let's at least know what the facts are so that we can make that determination. And that is what is lacking. It's a very haphazard kind of economy that we live in.

COLONEL SMITH: Gentlemen, Mr. Bluestone will be in the Faculty Lounge until 10:30. You're most welcome to come and continue the discussion there.

Thank you, sir, for a highly articulate morning.